no one should write about greenbacks without mentioning that the "fathers" of the scheme were:

Portland Chase who used to be attorney to the Bank of the United States while it existed; Chase went to school with the children of leading bank-friendlies like Henry Clay and William Wirt; as young attorney, Chase was mentored by William Wirt, attorney general in J.Q. Adams' cabinet. Wirt was attorney to, and fervent supporter of, the Bank of the United States and opponent of Andrew Jackson; in 1832 he was Anti-Mason Party presidential candidate

Thaddeus Stevens used to be attorney to the Bank of the United States while it existed, he was the one who pushed through the Pennsylvania House the bill that re-chartered that bank as a State institution

Gerry Spaulding, a banker before and after his tour of duty in the House
Erastus Corning, a "robber baron" before the term became popular, fervent Bank of U.S. supporter, William Seward (present secretary of State) used to be his attorney

Samuel Hooper, a rich merchant who entered into politics; in 1852 he was instrumental in enacting the Free Banking law in Massachusetts, and introducing a public debt-based, private bank-currency there, in 1863 he and his friends applied this banking system and bank currency to the whole union

John Sherman ---whom Drew completely leaves out of his story--- as young man was mentored by Thomas Ewing, fervent supporter of the Bank of the United States

and, of course, the advisors of Abraham Lincoln and Portland Chase on financial matters, August **Belmont** and Joseph **Seligman**, the real motivators behind the national currency bank scheme

none of these people were good-intentioned, victims of scheming bankers; as Spaulding and Sherman told us later, the greenbacks were a means to an end, not an intended blessing to the people

noticeable:
John Drew writes in 1874, he is a friend of government-issued paper money, but in his writings there is no mention of Lincoln, especially no mention of a Lincoln who was a hero and caused the greenbacks to be issued (no story about Lincoln's talking to his dear colonel Dick)

Even the *Bankers' Magazine* --vocal advocate of the central bank concept, gold standard and bank-paper currency-- writing in 1896, recognized that Portland Chase was upto something, that he had a plan, and to carry out this plan he turned from State banks and from readily available banking practices. Where did Portland & Spaulding acquire this novel idea of establishing a nation-wide network of currency banks (which won't be able to go into operation until the conclusion of the war) ?

"Mr. George S. Coe, president of American Exchange National Bank, writing to E.G. Spaulding, in October, 1875, recounts in a long letter the opening financial operations of the war. He said:

'The problem to be solved by the banks was this: How can the available capital be best drawn from the people, and devoted to the support of the Government, with the least disturbance to the country ? These were simple questions of domestic exchange and most naturally suggested the use of the ordinary methods of bank checks, deposits and transfers, that the experience of all civilized nations had found most efficient for the purpose, and that this should be accomplished by the associated banks in a manner best calculated to prolong their useful agency and to preserve the specie standard, it was indispensable that their coin reserves remain with the least possible change. Accordingly, it was proposed to the Secretary that he should at once suspend the operations of the Sub-Treasury Act in respect to these transactions, and following the course of commercial business that he should draw checks upon some one bank in each city, representing the association, in small sums as required in disbursing the amounts loaned.'

"Congress had, on August 5, 1861, passed an Act authorizing the Secretary to pursue this course. But, for reasons never yet accounted for, he refused to do so. Mr. Chase insisted upon drawing the specie received for the loans from the banks and depositing it in the Treasury and from thence disbursing the coin itself for actual expenses. 'This first great error,' writes Mr. Coe, 'if it did not create a necessity for the legal-tender notes, certainly precipitated the adoption of that most unhappy expedient.'

"Notwithstanding this course taken by the Secretary and the disbursements of the coin by the Government, the coin itself, while the paper currency was restricted, came back to the banks in one week. When the first loan of $50,000,000 was made, the banks held $49,733,999 in coin; the coin came back so rapidly to the banks that on December 7, after the three loans had been made, the banks still held $42,318,610. If there had been no other unwise measures, this operation of borrowing from the banks might have been continued for some time longer, if not indefinitely, at least until the new customs duties payable in coin had begun to arrive, and until the proceeds of the internal revenue laws became available. The customs duties would have gradually increased the stock of specie, and the operations with the banks would probably have assumed larger and larger proportions.

"It would have been a simple operation to have obtained legislation requiring the existing State banks to take the bonds of the United States as a basis for circulating notes. But by elaborating an entirely new and distinct system, antagonistic to the State banks, Mr. Chase insured the very delay that rendered his bank scheme impracticable. Mr. Spaulding drafted the National bank currency Act, but could not as a banker avoid being impressed by the difficulty of putting it into immediate operation. Nevertheless in the light of the experience of the last thirty years it can be plausibly urged that if the Secretary had suspended the sub-Treasury Act, and had dealt with the banks according to banking methods, that coin money could have been borrowed for several months until the bank scheme, even the ill-advised one recommended in his report, could have been put in operation. The banks, as was subsequently shown, could easily have issued, on a specie basis, all the currency required to carry on the war. At the same time they could have placed all the bond issues."

The same *Bankers' Magazine*, in July 1861, wrote that "all possible source of revenue" are: Government loans, Treasury notes, Tariff, Taxes ---no bank-note currency on that list, and issuing Treasury notes as a form of borrowing from the people is on the list as a perfectly natural thing. They also wrote in 1861 that bank-note currency based on government bonds is insecure, harmful and should not be allowed.

"The recent course of events in the States of Illinois, Wisconsin and Missouri has demonstrated, more strongly than ever, the insecurity of the bank note currency of those States and of other States where bank notes are issued upon the basis of State bonds.

"We shall never have, in this country, a sound and convertible bank circulation until the government takes the control of the currency, deprives it of all source of individual profit, and stamps upon it the seal of government guarantee."

"No one, conversant with the practical details of that department, entertains a doubt of the ability of the United States Treasury to manage a government currency. It should be based upon the prospective resources of the country, and at all times convertible into coin."

Giving the impression that in 1861, the *Bankers' Magazine* considered it a perfectly good idea that the federal government alone should issue the national currency, in the form of non-legal-tender Treasury notes, based on the assets of the United States, promising to pay coin. Also, that banks should not be allowed to issue notes based on government bonds, and should not be allowed to conduct banking business using bonds as capital. They developed their views based on the experience of the previous sixty years. Could the 1861 *Bankers' Magazine* remain in business if its readers did not subscribe to such views ?

So, whence came the idea of legal-tender U.S. Notes, a brand-new national currency bank system, bank-notes as national currency ? Not from George Coe, not from James Gallatin.

Political Economy for the People

Our Money Muss

A History of the Greenbacks and Five-twenty Bonds.

by John G Drew

1874

General Review of the Subject.

The diverse theories now obtaining as to the characteristics of the above-named forms of certificates of our national indebtedness, would seem to indicate that they ante-dated Herodotus, instead of being but twelve years old and matters of full public record.

They are both creatures of one and the same enabling act, twins, in fact; but the greenback just about as much the elder as Esau was the senior of Jacob. In a very large sense the comparison of twins will not hold, unless we liken them to those of Siam. So intricately was the vital machinery of each interwoven with the other that it would seem as if disintegration would by destruction to each.

But, like the humane master, whose nerves shrunk from cutting off the dog's entire tail at one blow to spare his feelings, but did it an inch at a time, so have our legislators hacked at the unity of the creation, until now we have a mutilated legal-tender, the laughing-stock of all civilized nations, and the 5/20 bond, as yet undefined and indefinable, a political and financial curiosity, compared with which Barnum's "What is it ?", or the traditional Kentucky "half horse and half alligator" were common place.

To exhibit the utter ignorance which prevails as to the history and relationship of these forms of national indebtedness, not only among the "great unwashed," but among those who are so distinguished by their intellectual ability, culture and moral worth, as to be selected as the law makers of the nation, and whose function it is especially to "see that the Republic receives no harm," the writer of this will detail an interview with a prominent member of Congress and president of a national bank.

The interview was caused by a visit of a constituent of the Member of Congress to the city of the residence of the latter, and as the writings of the said constituent on political economy had been largely quoted in Congress and by the press, the said M.C. was desirous of making his acquaintance.

The M.C. remarked that there seemed to be a growing hostility to the national banks, and claimed that they formed the best monetary system the nation had ever known, to which the visitor responded that the fact of their investment in government bonds, at a high rate of interest in gold, which, with the premium on gold, and exemption from taxation, aggregating about

ten per cent., being three times what the investment in productive industry would produce, should be considered satisfactory to them. That the additional advantages of curtailment of supply of currency, their legalized monopoly of the same, and the free gift of the use of one-half the currency of the nation, caused people to criticise the system as class legislation, for the benefit of the few and the detriment of the many.[$]

The M.C. then remarked that the tendency of the west and south was towards repudiation; to which the writer of these pages responded, that all he had seen claimed was that the payment of the bonds should be in exact accordance with the terms on which they were issued, and taking up "McPherson's Hand-book of Politics for 1874," read to the M.C., from pages 144 and 145 the original enabling act for the issue of both the greenbacks and the five-twenties.

"Let me read what myself," said the M.C. in astonishment, which he did, and exclaimed, "I never knew that !"

"I know you did not," was the response, "and do you think that one M.C. in twenty knows it ?" "No, I do not," was the prompt and frank rejoinder.

To shed light on such darkness, and stop this howling of "repudiation," when honest American citizens demand equal and exact justice in paying our national obligations, ir-respective of classes, is the object of these pages.

why the greenbacks and 5-20s were made

The banks of our Atlantic cities had, in the summer and fall of 1861, loaned to the government $150,000,000, the last installment of which about exhausted their specie, and as the holidays approached, their suspension seemed unavoidable.

England had in hot haste recognized the belligerency of the Confederates, and all along our coasts and the Canada line was watching with fiendish malignity and shark-like rapacity for a safe chance to terminate our national existence.

France, more subtle but not less deadly in her designs, was maturing her plans at the southwest for our assassination.

A brave and watchful enemy almost surrounded our national capital --- our army and navy had to be supplied with the costly material of war.

$ incidentally, Abraham Lincoln considered this monetary system the best, too:

"I know of none which promises so certain results as the organization of banking associations. To such associations the Government might furnish circulating notes, on the security of United States bonds deposited in the Treasury." ---December 1, 1862.

"it is hoped that very soon there will be in the United States no bank-note circulation not secured by the Government. The national [currency bank] system will create a reliable and permanent influence in support of the national credit and protect the people against losses in the use of paper money." ---December 6, 1864.

A country of unparalleled patriotism and resource had granaries bursting with food, and warehouses overstocked with material awaiting a market, and the market created by the exigencies of war, was hungry for the same food and clothing ---but money, which is as indispensable to float values from hand to hand as water is to float products from place to place, was not to be had.

The banks, as above noted, being deprived of their means, specie, were powerless, and if we asked a loan of gold from our imperial friends of France and England, we should have fared worse than he who should ask for a fish and receive a scorpion.[$]

Only one way remained. We must apply "the nation's wealth to the nation's need." Political economists had demonstrated that all the bank currency which we ever had was simply certificates of those banks' indebtedness to the holders of their notes, and the query arose, why not loan our goods and our services to the nation, on its IOUs, as properly as to the banks.

But both Congress and the nation at large, knowing how fearful the people had always been swindled by emissions of paper money, were very reluctant to resort to it.

The press fully presented the failure of our Continental currency and the French assignats. *Harper's Magazine*, about that time, kindly published an elaborate illustrated article on the "Continental Currency of our Revolution," which, joined with the universal knowledge of that great financial failure, acted as a caveat or warning against paper issues, and intensified the popular distrust and hostility.

An analysis of our Continental currency and of the French assignats, showed that out issues of the last century were, like our bank bills, irredeemable promises to pay other money, and those of the French were only redeemable what but few wanted, land ---and, consequently, when the supply of money was daily increasing over and above the requirements of production, commerce, and even war, without any safety valve or sluiceway to carry off the superabundance --- everything was swamped by the money deluge.

Money was necessary for the nation's prolonged existence. Excessive issues of irredeemable money were shown to be most disastrous in results.

We had no gold, and could get no gold to redeem our bills, but we had the material which is most eagerly sought for as the convertible material of gold ---our nation's bonds, into which we could fund any excess of currency, which bonds should be payable after five years, at the option of the holder, in the government currency.[**]

$ the fact, on the other hand, is that by December 1861 the gold that was loaned returned to the banks (the government spent the gold, and in about seven transactions the gold returned to the banks); the banks now had the gold and the bonds; could have repeated the process several times, but Chase et co. had a different plan, they wanted to use the opportunity to establish a new banking system.

** not "at the option of the holder" at the option of the government

An exact analogy to the plan and practice of the Almighty in forming the springs and oceans to retain the superfluous waters when in excess of requirements, to be returned when the renewed needs of nature required it.

Less poetical men said, what are one hundred treasury notes of $1 each, practically, but a $100 bond cut into one hundred pieces, which little pieces, while used for the convenience of the holder as money, bear no interest, thus making an economy for the nation; but when the holder has no occasion for the little pieces of $1 each as money, he can take them to the treasury and get a new bond for $100. This he can draw interest on until he wants to build a house or buy a horse, or something else, when he can get little one dollar pieces again, which are money.

It was clearly seen that the depreciation of the Continental currency and the French assignats was solely ascribable to their lack of redeemability, which element alone could and would, like a sluiceway for water, carry off whatever excess might be present for the conduct of business, and thus prevent the demoralization always attending inflation, whether demonstrated by the Continental currency of our fathers or the more abominable credit-ballooning now in vogue in Great Britain, where 50 cents gold and $2.50 in paper is the basis for $100 currency.

That a convertible currency cannot be inflated, Professor Bonamy Price, who fills the chair of Political Economy at Oxford University, England, thus forcibly says:

"So many bank notes (convertible paper) as the public wants and can use will circulate, and no more. Neither the bankers, nor Parliament, nor the law, nor the need of borrowers, nor any other power but the wants and conveniences of the public, the number and amount of specific payments, in which bank notes (convertible paper) can be used, can determine how many convertible bank notes (convertible paper) remain in circulation and not be returned for payment (or conversion)."

this is the truth of truths in currency.

I do not say that these exact arguments were used, but I do assert that men of brains and patriotism were in the House Committee[$] of ways and means, and they had competent advisory counsel.

And farther--- they embodied in that most admirable bill creating the greenback and the 5/20s, when sent from the House to the Senate, all the

$ the members of that committee were:

Thadeus Stevens, Justin Morrill, John Phelps, Elbridge Spaulding, Valentine Horton, Erastus Corning, Samuel Hooper, Horace Maynard, John Stratton.

which one of them was patriotic, which one of them had the people's interests at heart ? Stevens was the chairman of the committee, and we know that he was a bank-lawyer. Hooper, Spaulding and Corning made up the sub-committee entrusted with the drafting of a currency bill, they were all bank-friendlies.

It is a wishful fantasy that in the hour of need good-intentioned people came up with a good-intentioned idea, then some bad people subverted that good-intentioned idea.

principles above designated, to wit: A legal tender, receivable for all dues, and convertible at the option of the holders into the 5/20 bonds, which were created by the same act, and for that especial purpose as means of redemption and reservoir of surplus currency.

The object of the proposed following chapters, is to trace the history of these things, and an early opportunity will be taken to draw a parallel between the French Republic's financial legislation for its own citizens, when it had to pay the cost of the German army and its own, with comparative small resources, and our republic, in every way stronger, but legislating for monopolies and other privileged classes ---apparently indifferent whether they were foreign or American, so that they were monopolies** and privileged classes.

how the greenbacks and 5/20s were made.

"When the devil was sick -- the devil a monk would be. When the devil was well, the devil a monk was he."

When an earthquake convulses a country, eye-witnesses concur in assuring us that even the worst sinners are for a time eminently devout. So when our late civil war broke out, and no community could positively say when its turn would come to be ravaged by the enemy, patriotism was the most intelligent selfishness, and some of our most inveterate usurers and monopolists, even among those who subsequently distinguished themselves as salary grabbers, backpay stealers, credit mobiliers, national bank advocates, and, worse than all, advocates of the act of March 18th, 1869, which repudiated the people's right to buy, and the nation's right to sell, the 5/20s at par for greenbacks, did for a time honest work.

Under the urgent pressure of necessity, as delineated in our last two chapters, more honest, solid thought and work were given to our national matters than ever before in this century. One of our most important House committees --if not the most important-- was that of ways and means, of which Thaddeus* Stevens, of Pennsylvania, was chairman; and his bitterest political opponents would not charge him with lacking earnestness, honesty and patriotism. That committee appointed a sub-committee ---"on the national currency bank bill, making of laws, issue of Treasury notes, bonds, and the mode of raising the means to carry on the war"--- consisting of Elbridge G. Spaulding, of New York; Samuel Hooper, of Massachusetts; Erastus Corning, of New York.

This sub-committee very naturally examined with care the report of the Secretary of the Treasury (Salmon P. Chase), accompanying the Presi-

** You carefully leave out from your construction that the same people who supported the legal-tender bill also "legislated for monopolies."

* To taint the readers' mind, it should be mentioned that on January 19, 1836, it was Thaddeus Stevens who pushed through, in the Pennsylvania House Representatives. the bill that re-chartered the Bank of the United States as State bank.

dent's message of December, 1861. This report, the committee must have perceived, exhibited a most wonderful admixture of judicial grasp at the commencement, and special pettifogging in the conclusion, bearing lucidation to those accustomed to weighing evidence, of his having begun it with sincerity of purpose, and before concluding, got diverted from his original intention. He says as follows:

bank circulation, the indebtedness of the banks to the people.

> "The circulation of the banks of the United States, on the 1st day of January, 1861, was computed to be, $202,000,767. Of this circulation $150,000,000, in round numbers, was in States now loyal, including West Virginia, and $50,000,000 in the rebellious States. The whole of this circulation constitutes a loan without interest from the people to the banks, costing them nothing except the expense of issue and redemption and the interest on the specie kept on hand for the latter purpose;"....

the people entitled to the profits of circulation

> ...."it deserves consideration whether sound policy does not require that the advantages of this loan be transferred, in part at least, from the banks, representing only the interests of the stockholders, to the government, representing the aggregate interests of the whole people."

state banks of issue unconstitutional

> "It has been well questioned by the most eminent statesmen whether a currency of bank notes, issued by local institutions under State laws, is not, in fact, prohibited by the national Constitution. Such emissions certainly fall within the spirit, if not within the letter, of the constitutional prohibition of the emission of bills of credit by the States, and of the making by them of anything except gold and silver coin a legal tender in payment of debts. However this may be, it is too clear to be reasonably disputed that Congress, under its constitutional powers to lay taxes, to regulate commerce, and to regulate the value of coin, possesses ample authority to control the credit circulation which enters so largely into the transactions of commerce and affects in so many ways the value of coin. In the judgment of the Secretary the time has arrived when Congress should exercise this authority."

The Secretary then examines the feasibility of circulation convertible into coin, and abandons it as impracticable, but, strange to say, notwithstanding the overwhelming arguments above quoted, against the constitutionality of State Banks issuing currency, and arguing the equity of the people obtaining all the profit on their own currency, he deliberately proposed that the government should distribute its currency among "institutions and associations" for issue, in fact, advising them what he subsequently definitely proposed, the enactment of the present national banking act.

This recommendation of a chartered oligarchy and monopoly, in so close contiguity to his clear-headed antagonism to delegation of national prerogative will be recorded by the future historian as a dark blot on an

otherwise clear escutcheon, especially if that historian is so uncharitable as to conduct the same with the alacrity with which his son-in-law, Governor Sprague, of Rhode Island, secured for his constituency a larger share of that money issued to said monopoly, without interest, than any other State obtained, being $61.50 per head, while Massachusetts, the second on the list, obtained but $40.15 ---and the average of the nation got but $9.18.

Mr. Chase concludes this part of his message by saying that, with the adoption of the plan submitted, "it will not be dificult to obtain the additional loans required," ---that is, if the government would loan the required amount at one per cent., it would not be difficult to borrow it back at six per cent., and exemption from taxes ---say, total, nine per cent!

History will pause to consider whether this recommendation argues stupidity or wickedness. The terse logic preceding it will rule out the first characteristic.

"without form and void" ---Genesis I. 2.

Having wasted weeks of most precious time in the futile attempt to obtain further suggestions from Mr. Chase, who was mysteriously absent from his post of duty, and probably dallying with the bankers and bullionists of New York City, Mr. Spaulding was requested by that functionary to prepare a bill early as possible, which he (Mr. S.), as chairman of the before defined committee, hastened to do, and on 30th day of December presented it to the House, where it was read twice and referred to the committee of ways and means, and ordered printed as House bill No. 182.

This bill provided for the issue of $50,000,000 treasury notes (greenbacks) ---not less than five dollars each--- full legal tender for public and private obligations within the United States, and exchangeable at their par value, "the same as coin," for any bonds which the United States Treasurer was then or should thereafter be authorized to issue.

Various opinions obtaining in the committee as to the constitutionality of the legal tender clause, it was submitted to the Hon. Edward Bates, Attorney-General, from whose report we quote, thus:

> "The Constitution contains restrictions upon States, no State shall make any thing but gold and silver coin a tender in payment of debts. This applies to a State only, and not to the nation; and thus it has always been understood with regard to the next preceding clause in the same section ---no State shall "emit bills of credit." The prohibition to emit bills of credit is quite as strong as the prohibition to make any thing but gold and silver a legal tender; yet no body doubts --- Congress does not doubt its power to issue bills of credit. Treasury notes are bills of credit and I think the one is just as much prohibited as the other --- neither is forbidden to Congress.

Mr. Spaulding read this report to the committee of ways and means, and on the 7th of January, 1862, the said committee, by Mr. Spaulding, reported the same, with some slight modifications, as a new bill, which was

read twice, committed to the committee of the whole on the State of the Union, and ordered printed as House bill No. 187.

This bill (H.R. 187) increased the amount of legal tenders to $100,000,000, restricted their convertibility at par to the six per cent. bonds exclusively, and required the advertisement of its character and power to be published upon the back of each bill thus:

"The within note is a legal tender in payment of all debts, public and private, and is exchangeable for the coupon or registered bonds of the United States bearing six per centum interest."

The evolution of increasing symmetry and strength, indicated by a comparison of the latter bill (187), as contrasted with the former (182), gave the alarm to the banks and bullionists, who had hitherto the monopoly of the former currency, which they most audaciously claimed to be the sole measures of value.

As a logical sequence of their thus controlling all, the so-called measures of value, and the probability being that much more values were to be measured in the immediate future than had been in the past, they had as fondly hoped for golden harvest as you would, kind reader, if you owned the only pint-pot within five miles, and the law for years had decreed that no other measure should be used but that one.

They felt the same solicitude as to the profits resulting from "measures of value," as you would for your monopoly of the pint-pot, if you learned that it was the intention of government to multiply such measures to such extent as the requirements of the community might indicate.

This bill was reported on Tuesday, January 7th, 1862, and on Saturday afternoon, January 11th, the ancient monopolists having started their hounds of the "great dailies" of the metropolitan press, excepting the *Times* and *Herald*, in full cry against it, met in convention, at the Treasury Department in Washington, to oppose the bill.

That convention consisted of four delegates from the New York banks, three from Philadelphia, three from Boston, the Secretary of the Treasury, the finance committee of the United States Senate; the ways and means committee of the United States House of Representatives, and some from various boards of trade.

Mr. E.G. Spaulding, in his *Financial History of the War*, page 20, thus reports:

> Mr. James Gallatin, of New York, made the principal speech against legal tender, and on behalf of himself and the Bank Committees from New York, Boston, and Philadelphia, and members from Boards of Trade associated with them, submitted the following plan for raising money to carry on the war, viz :
>
> 1. A tax bill to raise, in the different modes of taxation, $125,000,000, over and above duties on imports.

> 2. Not to issue any demand Treasury notes, except those authorized at the extra session in July last.
>
> 3. Issue $100,000,000 Treasury notes at two years, in sums of five dollars and upwards, to be receivable for public dues to the Government, except duties on imports.
>
> 4. A suspension of the sub-Treasury act, so as to allow the banks to become depositories of the Government of all loans, and to check on the banks from time to time as the Government may want money.
>
> 5. Issue six per cent. twenty year bonds, to be negotiated by the Secretary of the Treasury, *and without any limitation as to the price he may obtain for them in the market.*
>
> 6. That the Secretary of the Treasury be empowered to make temporary loans to the extent of any portion of the funded stock authorized by Congress, *with power to hypothecate such stock, and if such loans are not paid at maturity, to sell the stock hypothecated for the best price that can be obtained.*
>
> These propositions having been read, the Secretary and Finance Committees of the Senate and House expressed themselves favorable to the first proposition to raise by taxation $125,000,000 a year, over and above duties on imports. It will be observed that this plan did not include the national currency bank bill, recommended by the Secretary of the Treasury in his Annual Report, and was not, therefore, in this respect, satisfactory to him.

The only remarks (at the meeting) we have seen reported from any but the alarmed monopolists, were in the Tribune of Monday, January 13th, 1862, as follows:

> The [Sub-]Committee of Ways and Means, through Mr. Spaulding, objected to any and every form of "shinning" by Government through Wall or State streets to begin with; objected to the knocking down of Government stocks to 75 or 60 cents on the dollar, the inevitable result of throwing a new and large loan on the market; modestly claimed for Treasury notes as much virtue of par value as the notes of banks which have suspended specie payments posses, and which yet freely circulate in the trade of the North, and finished with firmly refusing to assent to any scheme which should permit a speculation by bankers in the Government securities, and particularly any scheme which should double the public debt of the country, and double the expenses of the war by damaging the credit of the Government to the extent of fifty per cent by sending it to "shin" for money through the shaving shops of New-York, Boston, and Philadelphia.

Mr. Spaulding informs us (*Financial History*, page 21):

> This Conference did not result in devising any plan or arrangement which received the assent of either the Finance Committee of the Senate or the Committee of Ways and Means of the House, and the Conference adjourned.
>
> The bank delegates and others had further consultations with Secretary Chase, continuing through two or three days, and which finally resulted in an arrangement with the Secretary alone, which was furnished to the agent of the Associated Press and published on the 15th of January, 1862,

Our limits preclude full quotation of this arrangement between the Secretary and the banks, but we present---

5. It is thought desirable that Congress should enact the national currency bank bill, embracing the general provisions recommended by the Secretary in his Annual Report.

6. It is expected that this action and legislation will render the making of the United States demand notes a legal tender or their increase beyond the $50,000,000 authorized in July last unnecessary.

Mr. Spaulding avers that

The Committees of the Senate and House never gave any assent to this agreement made by Secretary Chase with the delegations above mentioned, for the reason that it was not deemed by them adequate to the crisis. A majority of the Committee of Ways and Means adhered to the legal tender bill, then pending in the House, as being a more available plan, and on a much larger scale. They believed it was necessary to authorize immediately an additional issue of $100,000,000 of United States fundable notes, to circulate as money, and be made a legal tender; and that $500,000,000 six per cent. twenty years bonds should be authorized, so as to enable the holders of the notes, when issued, to fund them at any time in these bonds.

As soon as the plan of the delegates from New York, Boston, and Philadelphia became fully known to the country, it was very generally disapproved. The press spoke out plainly against the Secretary being authorized to put United States bonds "on the market without any limitation as to the price he might obtain for them in the market," as proposed by Mr. Gallatin. Members of Congress generally opposed it and numerous letters were received by Mr. Spaulding from bankers, and other prominent citizens, in opposition to any such scheme, but at the same time expressing themselves in favor of the legal tender bill and urging its immediate passage.

The following is a sample of the letters received about this time by Mr. Spaulding:

Latter of Moses Grinell to Mr. Spaulding.

New York, January 30, 1862.

MY DEAR SIR—I thank you for your able speech, and can only say that nine out of twelve persons in this city agree with you. As for Gallatin, and a few egotistical gentlemen that act with him, they should be driven out of Washington, as they only embarrass the Government; and it seems to me that their policy, if adopted, would soon ruin the Government credit, and break down the country.

Go a direct tax for one hundred and fifty or two hundred millions, and then issue one hundred and fifty millions Treasury notes *legal tender*, and we will go on without any trouble, and the Government credit will be saved from disgrace. There are not eight bank presidents that side with Gallatin. He is an odd fish—has very little influence here. Some action must be had soon, or our country will be in a deplorable financial condition.

Yours truly,

M.H. GRINELL.

working the reckoning

The mariner, after being enveloped for days in fogs, takes the earliest chance, when he can see anything fixed like the sun or stars, to "work up his reckoning," by which he means to take his bearings, ascertain his locality, and determine his progress since his last "observation."

Let us try to do the same thing. At our last summing up we found the ancient allies of the republic our antagonists, our capital nearly enveloped by the enemy, the base of our nation's currency departed, and the republic without means to feed, clothe or arm its soldiers and sailors.

We noted that our finance minister, after reporting that our previous paper currency had never been anything but certificates of the banks' indebtedness to citizens, and that such certificates of indebtedness ought rather to proceed from the nation direct to the people in purchase of their productions and for their services than to be expensively and wastefully percolated through such costly and useless "middlemen" as the banks.

We read with interest his masterly argument that it was not only the nation's constitutional right but its duty to thus apply "the nation's wealth to the nation's need," and with unmitigated wonder and chagrin noted that his subsequent recommendations in the same report were to loan an oligarchy, to be formed for such percolation, what money the nation should require, for nothing ---said nation to then borrow the same at such rates as might be agreed upon.

Our surprise and disgust were intensified when, instead of finding that Minister of Finance at his post, assisting, recognizing and directing his department, he was not to be found, thus really embarrassing action, as everybody else naturally felt diffident in initiating measures which should be suggested by him.

The late chapters give us a very direct intimation where and with whom the absentee was, which is as fully confirmed as circumstantial evidence can do it by the sudden and well organized raid of the said middlemen upon the capital ---instantaneous upon the nation showing intelligent intention of avowing the reserved rights of itself and its citizens in issuing its own money.

Ah, but that was a dark hour for this republic ! Its capital ---a peninsula almost surrounded by a sea of enemies, and its only connection with its base thronged with a more deadly enemy than those in front --- more deadly because more insidious--- who had already captured the supposed arbiter of the nation's money life. By that other enemy we mean the bullionists.

But, dark as the night was, hazardous as was our position, it was better than it had been. Even as when the great enemy of our race sat "squat like a toad close at the ear of Eve to forge illusions," touched by Ithuriel (the spirit of truth), reassumed his fiendish personality, so did those words of common

sense and honesty embodied in bill 287 rouse these beasts of prey from their dens, and, erect, they demanded a continuance of their life-long privileges to prey upon the vitals of the nation.

The average American is, in one sense, like a cat ---stroke his fur the right way and he is amiable. One of his greatest failings is susceptibility to soft sawder. He can easily be conciliated and cajoled, even to his own injury; but attempt to bluster, threaten and show fight, and he meets you more than half-way.

We think we can perceive this reactionary tendency at this point with the committee of ways and means, and we surely can see ---in the aroused sentiment of the country which poured in upon the committee from every section ---assurance of approval of and confidence in their recommendations as contrasted with those of the raiding bullionists.

Our space only permits extract, as follows:

Letter from John Williams, *esq.*
Metropolitan Bank, New York, January 20, 1862.

DEAR SIR—I have your favor of 18th inst. I leave my bank affairs to write you at once, and congratulate you on the prospect of being able to effect a remedy for the fiscal malady. With a *leader* in the Treasury Department all these discordant financial schemes would disappear. A man of ability, of business talent and experience, even although he be not endowed with the creative genius of a Hamilton, or the statistical knowledge and general attainments, of Albert Gallatin, would devise a plan sufficiently comprehensive, sensible, and wise, to satisfy the public that he knew whereof he wrote and spoke, and had no object in view but to restore confidence and replenish the Treasury. There is one point in reference to the demand legal tender notes to which I wish to call attention. It may seem small, but I think it important—that is, in reference to the color of the paper on which such notes are printed. I would have it different from that used for any other notes; and I would again suggest that that color be yellow. I would also have them payable one year after the close of the war. There is no risk of embarrassment from this clause, as we could sell our national bonds to-morrow if the war were closed to-day. I would also simplify the matter by having the amount one hundred and fifty millions, so as to absorb the present outstanding demand notes into the legal demand or yellow notes, which could easily be done, and yet leave you on this loan one hundred millions net. I think it would make these demand notes more valuable to insert this redemption feature one year after peace, for peace must come. As if William B. Astor should give his note for $100,000, payable one year after his death. He must die, and he has millions, consequently on a future day certain (though not yet fixed), his note would be paid in full.

Please consider, then, before you finally decide, the *amount*, the *color*, and the *time* of payment of the legal tender notes. One other point : Allow me to refer to the re-convertible feature of the six per cent. twenty years bonds. That is, I confess, a pet idea of mine, but I find it favorably regarded by others, though new. You will readily perceive that when this comes to be understood by the public the United States Government is going to pick up all the floating funds throughout the whole country, which the owners do not require to use in less than three, four, five or six

months, whatever time you fix. Every business man seems to think this would be the means by which the Government would borrow, in the aggregate, a large amount. For who would not lend the United States his spare funds when he knew he could get a legal tender for it, with interest whenever he called for it ? This would increase the value of the twenty years six per cent. bonds. Let the legal tender notes be convertible at any time into any unsold securities of the United States, in the hands of the Secretary of the Treasury, whether now authorized or hereafter to be issued. But only let the six per cent. bonds be reconvertible into legal tender Treasury notes.

Give my regards to Mr. Hooper.

Yours very truly,
J.E. Williams.

The committee of ways and means father perfected their previous bill in adding to the same a clause, constructing the 5/20 bonds especially for the funding of what greenbacks might be thrown upon the market in excess of the requirements of production and commerce, thus making the existence and usefulness of the one conducive to the other and each to both.

This perfected bill (H.R. 240) was reported to the House January 22, read twice and made the special order for the 28th.

It eventually passed the House, with slight modifications, after very thorough discussion, and was sent to the Senate on the 6th day of February, in manner and form as follows. We omit some portions as are not indispensible to our present discussion:

" *An Act to authorize the issue of United States notes, and for the redemption funding thereof, and for funding the floating debt of the United States.*

SECTION 1. *Be it enacted by the Senate and House of Representatives of the United States of America, in Congress assembled*: That to meet the necessities of the Treasury of the United States, and to provide a currency receivable for the public dues, the Secretary of the Treasury is hereby authorized to issue, on the credit of the United States, $150,000,000 of United States notes, not bearing interest, payable to bearer at the Treasury of the United States, at Washington or New York, and of such denominations as he may deem expedient, not less than five dollars each. Provided, however, that $50,000,000 of said notes shall be in lieu of the demand Treasury notes authorized to be issued by the Act of July 17, 1861; which said demand notes shall be taken up as rapidly as practicable, and the notes herein provided for substituted for them : And provided, further, that the amount of the two kinds of notes together, shall, at no time, exceed the sum of $150,000,000. And such notes, herein authorized, shall be receivable in payment of all taxes, duties, imports, excise, debts and demands of every kind due to the United States, and for all salaries, debts and demands owing by the United States to individuals, corporations and associations within the United States, and shall also be lawful money and a legal tender, in payment of all debts, public and private, within the United States. And any holders of said United States notes, depositing any sum not less than $50, or some multiple of $50, with the Treasurer of the United States, or either of the Assistant Treasurers, shall receive in exchange therefor duplicate certificates of deposit, one of which may be transmitted to the Secretary of the

Treasury, who shall thereupon issue to the holder an equal amount of bonds of the United States, coupon or registered, as may by said holder be desired, bearing interest at the rate of six per centum per annum, payable semi-annually, at the Treasury or Sub-Treasury of the United States, and redeemable at the pleasure of the United States, after twenty years from the date thereof. Provided, that the Secretary of the Treasury shall, upon presentation of said certificates of deposit, issue to the holder thereof, at his option, and instead of the bonds already described, an equal amount of bonds of the United States, coupon or registered, as may by said holder be desired, bearing interest at the rate of seven per cent. per annum, payable semi-annually, and redeemable at the pleasure of the United States, after five years from the date thereof. And such United States notes shall be received the same as coin, at their par value, in payments for any loans that may be hereafter sold or negotiated by the Secretary of the Treasury, and may be re-issued from time to time, as the exigencies of the public interests shall require. There shall be printed on the back of the United States notes, which may be issued under the provisions of this act, the following words: 'The within is a legal tender in payment of all debts, public and private, and is exchangeable for bonds of the United States, bearing six per centum interest at twenty years, or in seven per cent. bonds at five years.'

§ 2. *And be it further enacted*, That to enable the Secretary of the Treasury to fund the Treasury notes and floating debt of the United States, he is hereby authorized to issue, on the credit of the United States, coupon bonds, or registered bonds, to an amount not exceeding $500,000,000, and redeemable at the pleasure of the Government, after twenty years from date, and bearing interest at the rate of six per centum per annum, payable semi-annually; and the bonds herein authorized shall be of such denominations, not less than fifty dollars, as may be determined upon by the Secretary of the Treasury; and the Secretary of the Treasury may dispose of such bonds at any time for lawful money of the United States, or for any of the Treasury notes that have been, or may hereafter be, issued under any former act of Congress, or for United States notes that may be issued under the provisions of this act; and all stocks, bonds, and other securities of the United States, held by individuals, corporations, or associations, within the United States, shall be exempt from taxation by any State or county.

the battle squarely begun.

It will be perceived by the careful reader that this bill was drawn with great care, both in statement of objective points and modes of attaining the same. That it creates two functions, each as indispensable to the other as the separate halves of a pair of scissors, or the spokes and felloes of a wheel.

To guard against any misconstruction, whether honest or felonious, the title of the act defines its purposes to be:

1st. To authorize the issue of United States notes.

2nd. For the redemption thereof, etc.

The bill separately and distinctly reiterates the same and defines the mode to attain such results. Premising that the reader has carefully studied the foregoing, that he may more intelligently scan the arguments adduced, we will briefly advert to the discussion preceding its passage.

Notwithstanding the entire absence of co-operation of the Secretary of the Treasury, but rather his antagonism, Mr. Spaulding opened the discussion by a kindly attempt to screen said secretary from the adverse criticisms of paying extortionate interest and high premiums for money, ascribing those calamities rather to injurious previous legislation than to any fault of his. Mr. Spaulding regretted that so large a rate of interest as 7.30 per cent. should have been paid on $100,000,000, and that a discount of $5,300,000 should have been submitted to in borrowing $50,000,000 at six per cent., said discount being equal to 10.35 per cent. He remarked:

[start of quote]

> The Secretary of the Treasury in his annual report does not recommend the issue of demand Treasury notes, although he points out many advantages that would result to the Government from the issue. He *suggests* two plans : first, the issue of demand Treasury notes; and second, a National currency, secured by a pledge of United States stocks, to be issued by banks and associations, with proper regulations for their redemption by the banks themselves.

On the propriety of the issue of Treasury notes by the Government, to be put in circulation as money, the Secretary says :

> "The first of these plans was partially adopted at the last session of Congress, in the provision authorizing the Secretary to issue United States notes, payable in coin, to an amount not exceeding fifty millions of dollars. That provision may be so extended as to reach the average circulation of the country, while a moderate tax, gradually augmented, on bank notes, will relieve the national from the competition of local circulation. It has been already suggested that the substitution of a National for a State currency, upon this plan, would be equivalent to a loan to the Government without interest, except on the fund to be kept in coin, and without expense, except the cost of preparation, issue, and redemption; while the people would gain the additional advantage of a uniform currency, and relief from a considerable burden in the form of interest on debt."

These remarks of the Secretary were made before the suspension of specie payments. The situation of the country is now very different from what it was two months ago. The circumstances have changed; and the Secretary and Congress, will find it necessary, in the present exigency, to conform their action to what *can* be done, and not to what they would *like* to do, were it otherwise practicable.

The second plan of the Secretary, and the one which he recommends for adoption, namely, a national currency, to be issued by banks, and secured by a pledge of United States stocks, the sub-Committee of Ways and Means have examined with considerable care. A bill has been prepared and printed for the use of the Committee, which may, after some modification, be reported to the House for its action. The Committee have come to the conclusion that, however meritorious this system may be in providing a way for funding the stocks of the United States, and however perfect the system

may be made by Congress, it cannot, if adopted, be made available soon enough to meet the immediately-impending necessities of the Government.

This new system of banking would necessarily go into operation slowly. The existing circulation of bank notes in the loyal States is supposed to be about $140,000,000. This new currency, when issued, would come into competition with the existing circulation of the banks already established in the several States; and in the present embarrassed condition of monetary affairs, several months must necessarily elapse before any considerable amount of United States stocks would be absorbed by banks under this proposed new law. As an ultimate mode of funding some part of the large amount of Government stock which has already been issued, and which must from time to time be issued, it may be very valuable; and the national currency upon it would no doubt obtain a wide circulation, and greatly facilitate the payment of taxes and other dues to the Government. But with a navy and army of 600,000 in the field, requiring, with the other expenses of the Government, an average daily expenditure of more than $1,600,000, this new system of banking will not afford relief to the Treasury in time to enable the Secretary to meet the pressing demands that are made upon him.

The duties received at the different custom-houses, and the taxes levied at the extra session, or that may now be levied, will be wholly inadequate to meet the requirements of the Treasury in the present emergency during the next six months.

If you cannot borrow the money on the credit of the United States, except at ruinous rates of discount, and cannot make the new banking system available in time, and cannot realize the amount required from your tariff and tax bills, in what mode can the means be obtained, and the Government be carried on ? It is believed that the only way in which it can be done is by issuing Treasury notes payable on demand, and making them a legal tender in payment of all debts, public and private, and by adequate taxation, to be imposed by new bills. This will bring into full exercise all the higher powers of Government under the Constitution. The Constitution confers on Congress the power (article one, section eight,)

> " To lay and collect taxes, duties, imposts, and excises, to pay the debts and provide for the common defence and general welfare of the United States.
>
> "To borrow money on the credit of the United States.
>
> "To regulate commerce with foreign nations, among the several States, and with the Indian tribes.
>
> "To coin money, regulate the value thereof, and of foreign coins. To raise and *support* armies.
>
> "To provide and *maintain* a navy.
>
> "To make all *laws* which shall be *necessary* and proper for carrying into execution the foregoing powers, and all other powers vested by the Constitution in the Government of the United States, or in any Department or officer thereof."

These are among the high powers of Government which must now be brought into full, ample play. The table which I have before me, procured from the Census bureau, shows that the true value of the property, real and personal, within the United States, is *sixteen billions, one hundred and fifty-nine millions, six hundred and sixteen thousand and sixty-eight dollars*, ($16,159,616,068,) [see tables on next page] and the assessed value to be $12,006,756,585.

The power in the Constitution to "lay and collect taxes, duties, imposts, and excises," is general and unlimited. Congress has the power to levy and collect any amount of taxes that may be necessary to preserve its existence and pay all its *debts*. Government has a claim, a mortgage in fact, on all this property, to that extent. Will Congress do its duty in passing bills to collect these taxes ? This is the vital question. Will Congress have the firmness and the courage to impose the necessary taxation to sustain the credit of the Government ? Direct taxation, excises, and internal duties, are new features within the United States. They will be heavy burdens on the people, but essential to sustain the circulation of demand Treasury notes. The tax-gatherer will be an unwelcome visitor to most people, but his face must soon be familiar.

Some members of Congress may hesitate to vote for the tax bills, fearing that they may not be in favor with their constituency at home. Under these circumstances, will members of Congress meet the question boldly and firmly ? Here is the whole property of the country at the will of Congress. You have the power to tax it to an unlimited extent, if necessary to sustain the Government.

This is the *capital*, $16,000,000,000 in amount, on which your Treasury notes and bonds rest. This claim of Government, in the hands of Congress, is direct and specific on the banks throughout the United States, including the gold and silver in their vaults; on commerce; on all kinds of production and business; on railroads, steamboats, and their passengers; on gas companies; on manufacturing companies of all kinds; in short, all real and personal estate of every kind is held subject to the payment of the Treasury notes and bonds issued by the Government. Congress is clothed with this mighty power to sustain the nation at this time.

Will you hesitate to do your duty ? This is what the people, the capitalist, the merchant, and all who confide in your demand notes, want to know. If they take these notes, they want to know positively whether you will enforce the claim of the Government upon the property of the country, to the full extent necessary to redeem the Treasury notes, and pay punctually the interest on the bonds which they take of you to sustain the government. Unless you are prepared to satisfy the country on this point, it is in vain to issue bonds or notes, and expect them to pass currently among the people. Unless this is done they will depreciate, and they ought to depreciate; but with ample taxation, cheerfully voted by Congress, they will be the very best

security in the country, because the whole property of the country is held for their redemption. Congress has a plain duty to perform. It has ample power. This power should now be enforced. Will Congress perform this duty ?

I cannot doubt that it will. The emergency is great, and the exercise of this power is now an imperative necessity, in order to sustain the credit of the United States and justify the Government in issuing so large an amount of Treasury notes, to circulate as money and be made a legal tender in the payment of debts. Congress (as well as the Committee of Ways and Means) is of opinion that we must raise by direct taxes, excises, internal duties, and duties on imports, during the current year, at least $150,000,000. That was shown by the recent resolution passed by the Senate and House. This will pay the current ordinary expenses of the Government, and the interest on all the extraordinary war debt, and create a sinking fund for retiring annually a portion of the Treasury notes.

In carrying on the existing war, and putting down the rebellion, it is necessary to bring into exercise all the sovereign power of the Government to sustain itself. The war power must be exercised to its fullest extent. The money power of the Government must be brought into requisition. The power to tax must be availed of. All the energies of the nation must be aroused and brought into action. The power of the Government and the means of the people must all be devoted to this great work. The Government must be preserved, and this nation of thirty-four States must be perpetuated. The life of the nation is in peril; and all we have and all we hope for must be devoted to maintain its existence, until peace and quiet are restored in every part of our common country.

This bill is a *necessary means* of carrying into execution the powers granted in the Constitution "to raise and *support* armies," and " to provide and *maintain* a navy."

In the present *crisis* of our national affairs, it is necessary that the army should be "supported," and the navy "maintained." This necessity will not be questioned by any loyal member on this floor.

The Constitution provides that " *all the laws necessary and proper* for carrying into execution the foregoing powers" may be passed by Congress.

If the *end* be legitimate, and within the scope of the Constitution, all the *means* that are appropriate, which are plainly adapted to that end, and which are not prohibited, may be constitutionally employed to carry it into effect.

If a certain means to the exercise of any of the powers expressly given by the Constitution to the Government of the Union be an appropriate measure, not prohibited by the Constitution, the degree of its necessity is a question of *legislative discretion*; not of judicial cognizance.

The Government of the United States is not prohibited by the Constitution from issuing Treasury notes on demand, and making them a *legal tender*

in payment of all debts within its jurisdiction. The Constitution (Art. 1, Sec. 10) prohibits the *States* from making any thing but gold and silver coin a legal tender in payment of debts; but this does not at all restrict the sovereign power of the United States. Congress has the power to coin money "regulate the *value* thereof, and of foreign coin." Gold and silver by long practice—a practice that has continued for centuries among all nations—has become the legal money of the world in all commercial transactions. Its real intrinsic value is not as great as that fixed upon it by Governments. All Governments fix the value of gold and silver, and without the Government stamp, gold and silver would be a simple commodity, like other things having intrinsic value. Some Governments fix the value of coin higher, and some lower, just as each, for itself chooses to determine. Any other metal or thing that should be stamped, and its value regulated by all the Governments of the world, would pass equally well in all commercial transactions as gold and silver, although not intrinsically as valuable. Exchequer bills or Treasury notes whose value is fixed by Government, and stamped as money, would pass as money in the payment of debts within the jurisdiction of the Government fixing such value.

In regulating the value of "coin" --either foreign or domestic-- Congress may provide that gold and silver shall be of no greater value in the payment of debts within the United States than the Treasury notes issued on the credit of this Government, which stamps such coin and fixes its value. These high powers of Government have been frequently exercised by Great Britain during her continental wars, in making the Bank of England notes receivable for public dues, and virtually a legal tender in payment of debts, by suspending the statutory clause requiring specie payments within the United Kingdom; and other Governments of Europe have exercised the same high prerogatives whenever necessary to preserve their existence. But we are not left to this argument alone for constitutional power to issue these demand notes and make them a legal tender in payment of debts, as I will endeavor hereafter to show.

The Attorney General, in an unofficial opinion, given to me at my solicitation, says:

> "The bill, after providing for the issue of Treasury notes, contains this clause, namely: 'And such Treasury notes shall be lawful money, and a *legal tender* in payment of all debts, public and private, within the United States.' And you desire my opinion whether this clause is or is not constitutional.
>
> "Certainly the Constitution contains no direct verbal prohibition, and I think it contains no inferential prohibition that can be fairly drawn from its expressed terms. The first article of the Constitution, section eight, grants to Congress specifically a great mass of powers. Section nine contains divers limitations upon Congress, upon the United States, and upon individuals; and section ten contains restrictions upon the several States. This last section is the only one that treats of *tender*. 'No State shall make anything but gold and silver coin a tender in payment of debts.' This

applies to a State only, and not to the nation; and thus it has been always understood.

"With regard to the next preceding clause in the same section-- 'No State shall emit bills of credit;' the prohibition to emit *bills of credit* is quite as strong as the prohibition to make anything but gold and silver coin a legal tender, yet nobody doubts, Congress does not doubt, its power to issue bills of credit. Treasury notes are bills of credit, and I think one is just as much prohibited as the other. Neither is forbidden to Congress."

The Constitution provides that Congress shall have power to pass " all laws necessary and proper " for carrying into execution all the powers granted to the Government of the United States, or any department or officer thereof.

The word necessary, as used, is not limited by the additional word " proper," but enlarged thereby.

" If the word *necessary* were used in the strict, rigorous sense, it would be an extraordinary departure from the usual course of the human mind, as exhibited in solemn instruments, to add another word, the only possible effect of which is to qualify that strict and rigorous meaning, and to present clearly the idea of a choice of means in the course of legislation. If no means are to be resorted to but such as are *indispensably* necessary, there can be neither sense nor utility in adding the word ' *proper*,' for the *indispensable necessity* would shut out from view all consideration of the *propriety* of the means."—3 *Story's Commentaries*, sec. 122.

Alexander Hamilton, in discussing these high powers of the Constitution, says :

" The authorities essential to the care of the common defence are these : to raise armies; to build and equip fleets; to prescribe rules for the government of both; to direct their operations; to provide for their support. These powers ought to exist, WITHOUT LIMITATION; because it is impossible to foresee or define the extent and variety of national exigencies, and the correspondent extent and variety of the means necessary to satisfy them. The circumstances which endanger the safety of nations are infinite; and for this reason no constitutional shackles can wisely be imposed on the power to which the care of it is committed" * * * * " This power ought to be under the direction of the same councils which are appointed to preside over *the common defence*." * * * * "It must be admitted as a necessary consequence, that there can be NO LIMITATION of that authority which is to provide for the defence and protection of the community in any matter essential to its efficacy; that is, in any matter essential to the *formation, direction*, or *support* of the NATIONAL FORCES."

This statement, adds Hamilton—

" Rests upon two axioms, simple as they are universal : the *means* ought to be proportioned to the *end*; the persons from whose agency the attainment of the *end* is expected ought to possess the *means* by which it is to be attained."—*Federalist*, No. 23, pp. 95, 96.

Congress may judge of the necessity in the present exigency. It may decide whether it will authorize the Secretary of the Treasury to issue

demand Treasury notes, and make them a legal tender in payment of debts, or whether it will put its six or seven per cent. bonds on the market, at ruinous rates of discount, and raise the money, at any sacrifice the money-lender may require, to meet the pressing demands upon the Treasury. In the one case the Government will be able to pay its debts at fair rates of interest; in the other, it must go into the streets *shinning* for the means, like an individual in failing circumstances, and sure of being used up in the end by the avarice of those who may exact unreasonable terms. The Government needs and should have, in her present peril, the aid and protection of all patriotic citizens.

But, sir, knowing the power of money, and the disposition there is among men to use it for the acquisition of greater gain, I am unwilling that this Government, with all its immense power and resources; should be left in the hands of any class of men, bankers or money-lenders, however respectable and patriotic they may be. The Government is much stronger than any of them. Its capital is much greater. It has control of all the bankers' money, and all the brokers' money, and all the property of the thirty millions of people under its jurisdiction. Why, then, should it go into Wall street, State street, Chestnut street, or any other street, begging for money ? Their money is not as secure as Government money. All the gold they possess would not carry on the Government for ninety days. They issue only promises to pay, which, if Congress does its duty, are not half as secure as United States Treasury notes based on adequate taxation upon all the property of the country.

Why, then, go into the streets at all to borrow money ? I am opposed, in our present extremity, to all shifts of this kind. I prefer to assert the power and dignity of the Government, by the issue of its own notes, pledging the faith, the honor, and property of the whole loyal people of the country to maintain their circulation and provide for their redemption.

On the question of constitutional power we are not left without the recorded opinions of the ablest jurists in the country.—1 *Kent's Com.*, 351—2; McCulloch v. The State of Maryland, 4 *Wheat*, R., 413-20.

Chief Justice Marshall, Daniel Webster, and Judge Kent lay down the doctrine as follows :

> "The Government of the United States is one of enumerated powers, and it can exercise only the powers granted to it; but though limited in its powers, it is supreme within its sphere of action. It is the Government of the people of the United States, and emanated from them. Its powers were delegated by all, and it represents all, and acts for all.
>
> "There is nothing in the Constitution which excludes *incidental* or *implied* powers. The Articles of Confederation gave nothing to the United States but what was expressly granted; but the new Constitution dropped the word *expressly,* and left the question whether a particular power was granted to depend on a fair construction of the whole instrument. No constitution can contain an accurate

detail of all the sub-divisions of its powers, and all the *means* by which they might be carried into execution. It would render it too prolix. Its nature requires that only the great outlines should be marked and its important objects designated, and all the minor ingredients left to be deduced from the nature of those objects. The sword and the purse, all the external relations, and no inconsiderable portion of the industry of the nation, were entrusted to the General Government; and a Government entrusted with such ample powers, on the due execution of which the happiness and prosperity of the people vitally depended, must also be entrusted with *ample means for their execution*. Unless the words imperiously require it, we ought not to adopt a construction which would impute to the framers of the Constitution, when granting great powers for the public good, the intention of impeding their exercise, by withholding a *choice of means*. The powers given to the Government imply the ordinary means of execution; and the Government, in all sound reason and fair interpretations, must have the choice of the means which it deems the most convenient and appropriate to the execution of the power.

"The Constitution has not left the right to Congress to employ the necessary means for the execution of its powers to general reasoning. Article 1, section 8, of the Constitution, expressly confers on Congress the power ' to make all laws that may be necessary and proper to carry into execution the foregoing powers.' Congress may employ such means and pass such laws as it may deem necessary to carry into execution great powers granted by the Constitution; and *necessary* means, in the sense of the Constitution, does not import an absolute physical necessity, so strong that one thing cannot exist without the other. It stands for any means calculated to produce the end. The word necessary admits of all degrees of comparison. A thing may be necessary, or very necessary, or absolutely, or indispensably necessary. The word is used in various senses; and in its construction, the subject, the context, the intention, are all to be taken into view. The powers of the Government were given for the welfare of the nation. They were intended to endure for ages to come, and to be adapted to the various *crisis* in human affairs. To prescribe the specific means by which Government should in all future time execute its power, and to confine the choice of means to such narrow limits as should not leave it in the power of Congress to adopt any which might be appropriate and conducive to the end, would be most unwise and pernicious, because it would be an attempt to provide, by immutable rules, for exigencies which, if foreseen at all, must have been foreseen dimly, and would deprive the Legislature of the capacity to avail itself of experience, or to exercise its reason, and accommodate its legislation to circumstances. If the end be legitimate, and within the scope of the Constitution, all means which are appropriate, and plainly adapted to this end, and which are not prohibited by the Constitution, are lawful."

It is plainly within the scope of the Constitution that the Government should maintain itself; that the army should be supported; that the navy should be maintained. The ways and means of doing this are left to Congress to provide. Congress may do this entirely by taxation. It may provide by law to levy and collect taxes enough every year to pay the whole expenses of the war during each current year, and so " pay as we go." It may issue six per cent. bonds and sell them on the market for what they will bring —even if they will not sell for over fifty cents on the dollar—to raise money

to carry on the war. It may issue Treasury notes payable on demand, and make them a legal tender in payment of debts. Either one or all of these modes of paying the expenses of the Government is left to the discretion of Congress. Either mode is constitutional; and it is left to the *sound discretion* of Congress to decide which mode it will adopt, or whether it will adopt a part of each, as being the best in the present crisis.

My own impression is, that it will be best for us to adopt, in part, all of these modes for providing the means.

1. Raise by taxation the current year, over and above the amount received from duties on imports, the sum of $150,000,000.

2. Issue $100,000,000 of demand Treasury notes in addition to the $50,000,000 authorized in July, making them a legal tender in payment of debts, and exchangeable at any time for 6 per cent. twenty years' bonds; with a further issue of demand notes if Congress shall hereafter deem it necessary.

3. Provide for the issue of all the twenty years' 6 per cent. bonds that may be necessary to fund the demand Treasury notes, and other fundable Treasury notes that may be issued, (say $500,000,000 six per cent. twenty years' coupon bonds,) and pledge $30,000,000 of the annual taxes to pay the interest half-yearly thereon, and pledge $25,600,000 more, as a sinking fund to redeem the principal in twenty years.

4. This tax of $150,000,000 would afford an ample basis on which to rest the credit of the Government for this large issue of Treasury notes and bonds, and would insure the punctual payment of the interest to the capitalists who might hold them.

5. The demand notes put in circulation would meet the present exigencies of the Government, in the discharge of its existing liabilities to the army, navy, and contractors, and for supplies, materials, and munitions of war. These notes would find their way into all the channels of trade among the people; and as they accumulate in the hands of capitalists, they would exchange them for the six per cent. twenty years' bonds.

These circulating notes in the hands of the people would enable them to pay the taxes imposed, and would facilitate all business operations between farmers, mechanics, commercial business men, and banks, and be equally as good as, and in most cases better, than the present irredeemable circulation issued by the banks.

6. The $500,000,000 six per cent. twenty years' bonds in the hands of the Secretary of the Treasury, ready to be issued, would afford ample opportunity for funding the Treasury notes as fast as capitalists might desire to exchange Treasury notes not bearing interest for coupon bonds of the United States bearing six per cent. interest, and amply secured by a tax upon the people and all their property.

In this way the Government will be able to get along with its immediate and pressing necessities without being obliged to force its bonds on the

market at ruinous rates of discount; the people, under heavy taxation, will be shielded against high rates of interest; and this capitalists will be afforded a fair compensation for the use of their money during the pending struggle of the country for national existence.

A suspension of specie payment is greatly to be deplored, but it is not a fatal step in an exigency like the present. The British Government and the Bank of England remained under suspension from 1797 to 1821—'2—a period of twenty-five years. During this time England successfully resisted the imperial power of the Emperor Napoleon, and preserved her own imperilled existence. During all this time the people of Great Britain advanced in wealth, population, and resources. Gold is not as valuable as the productions of the farmer and mechanic, for it is not as indispensable as are food and raiment.

[end of quote from Spaulding]

We quote from the remarks of Mr. Thaddeus Stevens:

Before the banks had paid much of the last loan they broke down under it, and suspended specie payments. They have continued to pay that loan, not in coin, but in demand notes of the Government — that has kept them at par. But the last of that loan was paid yesterday; and on the same day the banks refused to receive them. They must now sink to depreciated currency. The remaining $50,000,000 the Secretary of the Treasury has been unable to negotiate. A small portion of it, say $10,000,000, has been issued at seven and three tenths in payment of debts.

All this has been used; and there is now a floating debt, audited and unaudited, of at least $180,000,000. The Secretary intended to use the balance of the authorized loan by paying it out to creditors in notes of seven and three tenths; that becoming known they immediately sunk four per cent., and if he had persevered it is believed they would have run down to ten per cent. discount. But even if these could be used (about $40,000,000) there would remain due about $90,000,000, the payment of which is urgently demanded. The daily expenses of the Government are now about $2,000,000. To carry us on until the next meeting of Congress would take $600,000,000 more, making, before legislation could be had at next session, about $700,000,000 to be provided for. We have already appropriated $350,000,000 — making our entire debt $1,050,000,000.

The grave question is, how can this large amount be raised ? The Secretary of the Treasury has used his best efforts to negotiate a loan of but $50,000,000, and has failed. Several modes of relief have been suggested; the most obvious is to borrow on Government bonds, bearing an interest of six per cent. That it is known can only be effected by putting the bonds into the market to the highest bidder. If but a small sum were wanted it might probably be had at a small discount. But if sufficient to meet our wants up to next December, or $700,000,000, were forced into the market, as it is wanted, I have no doubt they would sell as low as sixty per cent., as in the last English war; and even then it

would be found impossible to find payment in coin. A large part of it must be accepted in the depreciated notes of non-specie-paying banks, for I suppose no one expects the resumption of specie payments until the war shall be ended. But as this Congress must provide for appropriations to the end of the fiscal year 1863, seven months more must be added to these expenses. That would require $420,000,000 added to these $700,000,000 before estimated, and the aggregate would be $1,100,000,000. The discount on that sum at forty per cent, would be $440,000,000. At the minimum discount that any reasonable man could fix, say twenty-five per cent., it would be $275,000,000. It would, therefore, require at least bonds to the amount of $1,500,000,000 to produce sufficient currency to make $1,100,000,000, and carry us to the end of the next fiscal year. This sum is too frightful to be tolerated.

Certain bankers have suggested that the immediate wants of the Government might be supplied by pledging seven and three tenths percent. bonds with a liberal margin, payable in one year, to the banks, who would advance a portion in gold and the rest in currency. The effect would be that Government would pay out to its creditor's the depreciated notes of non-specie-paying banks. And as there is no probability that the pledges would be redeemed when due, they would be thrown into the market and sold for whatever the banks might choose to pay for them. The folly of this scheme needs no illustration.

Another is to strike out the legal tender clause, and make them receivable for all taxes and public dues; but it is not proposed to make any vision for redeeming them in coin on demand. I do not believe that such notes would circulate anywhere except at a ruinous discount. No notes not redeemable on demand, and not made a legal tender, have ever been kept at par. Even those who could use them for taxes and duties would discredit them that they might get them low. If soldiers, mechanics, contractors, and farmers, were compelled to take them from the Government, they must submit to a heavy shave before they could use them. The knowledge that they were provided for by taxation, and would surely be paid twenty years hence, would not sustain them.

The Secretary of the Treasury, in his report, recommended a scheme to produce a uniform national currency, and furnish a market for Government bonds. It proposes that the banks shall receive their circulation from the Government to the amount of Government bonds pledged, with the Treasury for their security; and that no more notes should be issued than the par value of such bonds, and should be redeemed by the banks. As a general system of banking in ordinary times, it might be very useful in regulating the currency, and by the sale of the bonds the Government might command coin. But while the banks are in suspension, it is not easy to see how it would relieve the Government. If the notes were procured it must be by accepting payment by the Government in depreciated circulation. How would that be any better than the Government's own notes ? The security of the Government is equal to that of the banks, and would give as much currency. To the banks I can see its advantage. They would have the whole benefit of the circulation without interest, and at the same time would draw interest on the Government bonds from the time they got the notes. Now, it is very plain that, if the United States issued those notes direct, they would have the

benefit of the whole circulation. In other words, it would be equal to a loan, without interest, to the full amount of the circulation. This project, therefore, however desirable as a banking system, could afford no immediate relief, especially as it would afford no sale for additional bonds, as the banks have already as many as would form the basis of their operations. Having, as I think, shown the impossibility of carrying on the Government in any other way, let us briefly notice some of the objections to it. First, is it constitutional ?

The power to emit bills of credit and make them a legal tender is nowhere expressly given in the Constitution; but it is known that but few of the acts which Government can perform are specified in that instrument, it would require a volume larger than the Pandects of Justinian or the Code Napoleon to make such enumeration, whereas our Constitution has but a few pages. But everything necessary to carry out the granted powers of the Government is not only implied but expressly given to Congress. If nothing could be done by Congress except what is enumerated in the Constitution, the Government could not live a week.

The States are prohibited from making anything but "gold and silver coin a tender in the payment of debts;" but such prohibition does not extend to Congress. The Constitution is silent as to the power of Congress over that subject. The whole question of the right to emit bills of credit by Congress was considered in the convention that framed the Constitution. It was reported as a part of the power to "borrow money." It was objected to as as tending to make paper a currency with legal tender, and a motion was made to strike it out and insert an express prohibition. That was resisted, because, as Mr. Mason said, "it could not be foreseen what the necessities of the Government might at some time require." "The late war," he said, "could not have been carried on had such prohibition existed." It was finally agreed to strike out the express power, and not to insert the prohibition, leaving it to the exigencies of the times to determine its necessity. The right to emit bills of credit, which the convention expressly refused to grant as a substantive power, has for fifty years, by the common consent of the nation, been practiced, and is now conceded by every opponent of this bill. With what grace can the concomitant power to make them a legal tender be objected to ? The Supreme Court have settled certain principles with regard to the power of Congress over measures not expressly enumerated in the Constitution. The principle is, that where anything is necessary to carry into effect the granted power it is constitutional. The eighth section of the first article of the Constitution gives Congress power—

> "To make all laws which may be necessary and proper to carry into execution the foregoing powers, and all other powers vested by this Constitution in the United States or in any department or officer thereof."

The Constitution nowhere gives Congress power to create corporations or to establish a bank of the United States. But as Congress had power to regulate commerce, and to regulate the value of coin, and it deemed the establishment of a bank necessary to effectuate those powers, the Supreme Court pronounced it constitutional. In short, whenever any law is necessary and proper to carry into execution any delegated power, such law is valid. That necessity need not be absolute, inevitable, and overwhelming — if it be useful, expedient, profitable, the

necessity is within the constitutional meaning. Whether such necessity exists is solely for the decision of Congress. Their judgment is absolute and conclusive. If Congress should decide this measure to be necessary to a granted power, no department of the Government can rejudge it. The Supreme Court might think the judgment of Congress erroneous, but they could not review it. Now, it is for Congress to determine whether this bill is necessary "to raise and support armies and navies, to borrow money, and provide for the general welfare." They are all granted powers. It is for those who think that it is not "necessary, useful, proper," to propose some better means, and vote against this; if a majority think otherwise, its constitutionality is established.

If constitutional, is it expedient ? It is objected by the gentleman from Ohio, that the legal tender clause would depreciate the notes. All admit the necessity of the issue. But some object to their being made money. It is not easy to perceive how notes issued without being made immediately payable in specie, can be made any worse by making them a legal tender. And yet that is the whole argument, so far as expediency is concerned. Other gentlemen argued that this would impair contracts, by making a debt payable in other money than that which existed at the time of the contract, and would so be unconstitutional. Where do gentlemen find any prohibition on Congress against passing laws impairing contracts ? There is none, though it would be unjust to do it. But this impairs no contract. All contracts are made not only with a view to present laws, but subject to the future legislation of the country. We have more than once changed the value of coin. Neither our gold nor our silver coin is as valuable as it was fifty years ago. Congress in 1853, I believe, regulated the weight and value of silver. They debased it over seven per cent., and made it a legal tender. Who ever pretended that that was unconstitutional ? The gentlemen from Vermont [Mr. Morrill], and Ohio [Mr. Pendleton]; think it an *ex post facto* law. It is not wonderful that my distinguished colleague, not being a professional lawyer, should not be aware that the *ex port facto* laws prohibited by the Constitution refer only to crimes and misdemeanors, and not to civil contracts. The gentleman from Ohio no doubt knew, but forgot it.

It is said that this will inflate the currency and thus raise the price of commodities and stimulate speculation. How do gentlemen expect that using the same amount of notes without the legal tender will inflate it less ? It will take the same amount of millions, with or without the legal tender, to carry on the war, except that the one would be below par and the other at par. No instance can be given of a currency not redeemable on demand in gold that did not immediately depreciate. But if made a legal tender, and not a redundancy of it emitted, it will be par. I fear gentlemen have not well consulted standard writers on this subject, but have substituted their own fancy and wild declamation.

McCulloch, one of the most learned of writers on that subject, says:

> "But though the condition that they shall be paid on demand, with the belief that this condition shall be complied with, will be necessary to sustain the value of notes issued by private parties or associations, it is not necessary to sustain the value of paper money, properly so called, or of notes which have been made a legal tender.

The only thing required to sustain the value of the latter description of currency is that it should be issued in limited quantities.

"Every country has a certain number of exchanges to make; and whether these are affected by the employment of a given number of coins of a particular denomination, or by the employment of the same number of notes of the same denomination, is, in this respect, of no importance whatever. Notes which have been made legal tender, and are not payable on demand, do not circulate because of any confidence placed in the capacity of the issuers to retire them; neither do they circulate because they are of the same real value as the commodities for which they are exchanged; but they circulate because, having been selected to perform the functions of money, they are, as such, readily received by all individuals in payment of their debts. Notes of this description may be regarded as a sort of tickets or counters to be used in computing the value of property, and in transferring it from one individual to another. And as they are nowise affected by fluctuations of credit, their value, it is obvious, must depend entirely on the quantity of them in circulation as compared with the payments to be made through their instrumentality, or the business they have to perform."

The value of legal tender notes depends on the amount issued compared with the business of the country. If a less quantity were issued than the usual and needed circulation they would be more valuable than gold.

The same author says:

"By reducing the supply of notes below the supply of coin that would circulate in their place were they withdrawn their value may be raised above the value of gold, while by increasing them to a greater extent it is proportionally lowered." * * * * "There cannot, however, be the least difference, as respects value, in the provinces, between Bank of England paper, now that it is legal tender, and gold."

Mr. Thomas, of Massachusetts. I desire to ask the gentleman a question in connection with that passage. McCulloch laid down the doctrine that the paper is limited to the amount necessary for currency. Let me ask the gentleman from Pennsylvania whether he now expects, in managing these financial matters, to limit the amount of these notes to $150,000,000 ? Is that his expectation ?

Mr. Stevens. It is. I expect that is the maximum amount to be issued.

Mr. Thomas, of Massachusetts. You do not expect to call for any more ?

Mr. Stevens. No, sir; I do not. Increase gold and silver beyond the amount needed, and you depreciate its value. Such inflation of the currency is just as injurious as if it were in paper, so far as raising prices and stimulating speculation are concerned.

I know the danger of granting to irresponsible institutions or individuals the right to issue paper currency not immediately convertible, because their avarice would always abuse the privilege and over issue. But when the Government thus issues, the fault and the crime is theirs if they do not restrain it within proper bounds. Is the proposed issue of $150,000,000 too much ? It is believed that the ordinary business of the country, especially now, requires a circulation of $400,000,000. The bank circulation has been about $200,000,000, with coin to the amount of $250,000,000. The bank paper, now in suspension, would largely disappear before this par paper; and during suspension, which means during the

war, there will be but little coin circulation. If the whole $150,000,000 of United States notes could be kept circulating, I do not think the surviving bank paper would furnish a sufficient currency for commercial purposes — some coin must be added. But it is not probable that it could all be kept out; much would rest in banks, in the pockets of private individuals, or await investment temporarily, at least, for a while.

But my distinguished colleague from Vermont fears that enormous issues would follow to supply the expenses of the war. I do not think any more would be needed than the $150,000,000. The notes bear no interest. No one would seek them for investment. In the rapid circulation of money, $100 in a year is turned so often as to purchase ten times its value. This money would soon lodge in large quantities with the capitalists and banks, who must take them. But the instinct of gain, perhaps I may call it avarice, would not allow them to keep it long unproductive. A dollar in a miser's safe unproductive is a sore disturbance. Where could they invest it ? In United States loans at six per cent., redeemable in gold in twenty years, the best and most valuable permanent investment that could be desired. The Government would thus again possess such notes in exchange for bonds, and again reissue them. I have no doubt that thus the $500,000,000 of bonds authorized would be absorbed in less time than would be needed by Government; and thus $150,000,000 would do the work of $500,000,000 of bonds. When further loans are wanted, you need only authorize the sale of more bonds; the same $150,000,000 of notes will be ready to take them.

I contend that this currency will be better than any this country can produce. Bank notes are merely local. The holder of them in St. Louis, wishing to transmit to New York, must pay a discount of from one to ten per cent. If he has gold, the cost of transportation is considerable. If he travel, it is cumbersome. But if he has United States par notes, he can send them without cost all over the Union.

Gentlemen are clamorous in favor of those who have debts due them, lest the debtor should the more easily pay his debt. I do not much sympathize with such importunate money-lenders. But widows and orphans are interested, and in tears lest their estates should be badly invested. I pity no one who has his money invested in United States bonds, payable in gold in twenty years, with interest semi-annually.

But while these men have agonized bowels over the rich man's case, they have no pity for the poor widow, the suffering soldier, the wounded martyr to his country's good, who must receive these notes without legal tender or nothing, and who must give half of it to the Shylocks to get the necessaries of life. Sir, I wish no injury to any, nor with our bill could any happen; but if any must lose, let it not be the soldier, the mechanic, the laborer, and the farmer.

Let me restate the various projects. Ours proposes United States notes, secured at the end of twenty years to be paid in coin,[$] and the interest, raised by taxation, semi-annually; such notes to be money, and of uniform value throughout the Union. No better investment, in my judgment, can be had; no better currency can be invented.

$ You just pre-authorized the Credit Strengthening Act of 1869; to pay the 5/20s in gold.

The amendment of the gentleman from Ohio [Mr. Vallandigham] proposes the same issue of notes, but objects to a legal tender; but does not provide for their redemption on demand in coin. He fears our notes would depreciate. Let him who is sharp enough to see it instruct me how notes that every man must take are worth less than the same notes that no man need take, and few would, being irredeemable on demand. But he doubts its constitutionality. He who admits our power to emit bills of credit, nowhere expressly authorized by the Constitution, is a sharp and unreasonable doubter when he denies the power to make them a legal tender.

The proposition of the gentleman from New York [Mr. Roscoe Conkling] authorizes the issuing of seven per cent. bonds, payable in thirty-one years, to be sold ($250,000,000 of it) or exchanged for the currency of the banks of Boston, New York, and Philadelphia.

Sir, this proposition seems to me to lack every element of wise legislation. Make a loan payable in irredeemable currency, and pay that in its depreciated condition to our contractors, soldiers, and creditors generally ! The banks would issue unlimited amounts of what would become trash, and buy good hard money bonds of the nation. Was there ever such a temptation to swindle ?

He further proposes to issue $200,000,000 United States notes, redeemable in coin in one year. Does not the gentleman know that such notes must be dishonored, and the plighted faith of the Government broken ? No one believes that we could then pay them, and it would ran down at once. If we are to use suspended notes to pay our expenses, why not use our own ? Are they not as safe as bank notes ? During the suspension, the Government would have the benefit of the whole circulation, without interest, until they were funded — that is, the interest of all we could keep out would accrue to the Government. If the $150,000,000 were constantly afloat, it would be a loan to Government, without interest, to that amount, $9,000,000 a year. But if we used the suspended paper of the banks our bonds would bear interest from the instant we got their notes — a good thing for suspended banks. Besides, Government would have the benefit of all the lost and destroyed notes — a considerable item.

Last comes the substitute of the minority of the committee. I look upon it as a curiosity. It proposes to issue United States notes, not a legal tender, bearing an interest of three and an sixty-five hundredths per cent., [3.65] and fundable into seven and three tenths per cent. bonds, [7.30] but not payable on demand, but at the pleasure of the United States. This gives one and three tenths per cent. higher interest than our loan, and not being redeemable on demand, would share the fate of all non-specie paying notes not a legal tender. But the ingenious minority have invented a kind of currency never before known — a circulation bearing interest. Bonds or notes intended for investments bear interest, but no one expects they will be used as currency; whether in the shape of bonds or notes they will be used only as investments, or as pledges on which to procure loans. Suppose a tailor, shoe maker, or other mechanic or laborer, were to take one of these bills, and in a week he should wish to use it in market, or store, or elsewhere, he must sit down and calculate the interest on the days he has had it to find its value. This would be rather inconvenient in a frosty day. This currency would make it necessary for

every man to carry an arithmetic or interest table with which to gauge the value of the circulating medium. Gentlemen must see how ridiculous, if not impracticable, this scheme is.

Here, then, in a few words lies your choice. Throw bonds at six or seven per cent. on the market between this and December, enough to raise at least $600,000,000 — about this sum is already appropriated, $557,000,000 — or issue United States notes, not redeemable in coin, but fundable in specie-paying bonds at twenty years; such notes either to be made a legal tender, or to take their chance of circulation by the voluntary act of the people.

I maintain that the highest sum you could sell your bonds at would be seventy-five per cent., payable in currency itself at a discount. That would produce a loss which no nation or individual doing a large business could stand a year.

I contend that I have shown that such issue, without being made money, must immediately depreciate, and would go on from bad to worse. I flatter myself that I have demonstrated, both from reason and undoubted authority, that such notes, made a legal tender and not issued in excess of the demand, will remain at par and pass in all transactions, great and small, at the full value of their face; that we shall have one currency for all sections of the country and for every class of people, the poor as well as the rich.

Some gentlemen are as much frightened as if this were an unwonted apparition, for the first time prowling forth to swallow the rich creditor and nurse the poor debtor. No nation, it is said, has ever tried anything like it.

Let us look at the greatest and wisest commercial nation in the world. In 1797 England was struggling for existence against armed Europe. She needed money, as we do now. She found it impossible to borrow. Gold was likely to leave the country. She passed a law prohibiting the Bank of England from paying coin for her notes until six months after the final ratification of peace. That law remained in force till 1823. It is said she did not make those notes a legal tender. She provided that whoever refused to take them for a debt should have no remedy for its collection; and that a plea of such tender should be a bar to the action. This, I think, is the most stringent legal tender; yet those notes never depreciated to any great extent.

[end of quote from Thaddeus]

After which the vote was taken and the bill sent to the Senate, where we will follow it in our next chapter.[$]

$ You left out the whole entire debate and presented a false picture. You obviously did not read what was said in the House on the bill, you are merely quoting from Spaulding who already prettied up the quotes, including his own; but even from Spaulding you purposely left out Stevens' first paragraph:--- "Mr. Chairman, this bill is a measure of necessity, not of choice. **No one would willingly issue paper** currency not redeemable on demand, and make it a legal tender. It is never desirable to depart from the circulating medium which, by the common consent of civilized nations, forms the standard value. But it is not a fearful measure, and when rendered necessary by exigencies it ought to produce no alarm." ---this puts this paper issue in a different light, and it does not fit your construction

You should have quoted Samuel Hooper, one of the fathers of this bill, who openly stated what the planned package-deal was:--- "The *first* of these measures is the one now before the House, by which the Secretary of the Treasury is authorized to **issue United States notes**, not to exceed $150,000,000 in amount, (including those authorized by previous laws,) of denominations not less than five dollars.

The Battle in the Senate.

It had long been evident that the national bank advocates, the bullionists, and other aspirants for monopoly and class legislation, while duly plying the more popular branch of Congress with their arguments ---solid and otherwise, they know so well how to handle--- considered the Secretary of the Treasury and the Senate as their *Malakoff* and *Rodan*.

On report of the bill (H.R. 240), by the Senate, it was read twice by its title only, and referred to the committee on finance. On the 10th day of February, Mr. Fessenden, chairman, reported the bill back from the finance committee with amendments, of which those especially bearing upon our present subject matter, were as follows:

"1st. That the legal tender notes should be receivable for all claims and demands against the United States, of every kind whatsoever, except for interest on bonds and notes, which shall be paid in coin."

If the reader can define in clearer language the sole exception to the general rule of universal payment of the nations' liabilities in legal tenders, as contrasted with coin, we should be pleased to see such statement.**

They are not to bear interest, but are to be issued and received as money, convertible, at the option of the holder, into six per cent. stock of the United States, the principal and interest being payable either here or abroad; and these notes are to be a legal tender. The *second* measure consists of a tax bill, which shall, with the tariff on imports, insure an annual revenue of at least $150,000,000. The *third* is a **national banking law**, which will require the deposit of United States stock as security for the bank notes that are circulated as currency."

Then you should have quoted Mr. Vallandigham, a fervent opponent of the bill:--- "The faith of the United States, supported by taxation, is to be abandoned, and this paper money is to be floated in every commercial and business transaction of the country, by main force of law, and not voluntary credit because of the solvency of the United States, till a year or two hence the Secretary shall have stocks enough to enable him to execute his financial schemes and contrivances in full. This, then, is the first step in the direction of his grand fiscal and monetary agent which is to maintain the credit of the Government and supply the sole paper currency of the country;"

"And now, sir, what, I beg to know, is the object of all this, if it be not to create an enormous and endless public debt, to be interwoven with every political, social, and business relation of life; to subjugate the States and the people perpetually to the Federal Government, and therefore never to be extinguished ?"

as we know from future history, and as you have noticed it by 1874, Hooper &co. carried out their plan and the predictions of Vallandigham became reality.

** If you had bothered to read the Record, you would have known that on February 6, 1862, the majority of the House voted for the interest to be paid in coin.

Mr. Roscoe Conkling. I move to amend by inserting after the word "percentage" the words "in coin," so that it will read, "interest at six per centum per annum **payable in coin**."

The amendment was **agreed to, eighty-two members** having voted in the affirmative.

Mr. Lovejoy. I move to insert before the word "coin" the words "gold and silver," so that it will read "payable in **gold and silver coin**."

The question was taken, and the **amendment was agreed to**.

Mr. Woodruff. I move to add after the words "per centum" the words "per annum." As it reads now it will provide for twelve per cent., instead of six per cent. per annum.

The amendment was **agreed to**.

The other amendment was, "that all duties on imported goods and proceeds of the sale of public lands, should be set apart to pay the coin interest on the debt of the United States."

The tendency of these amendments, if carried, would be:

1st. To weaken the legal tender by depriving the nation of the power to utilize its domestic currency in payment of interest, and as a result to continue its dependence on foreigners and their institutions.

2d. Again, to weaken the legal tender by depriving the citizen of the power of utilizing it in payment of custom dues, and thus creating an active daily competition among buyers of gold, which would enable gold rings to peddle out their supplies at such premiums as said gold rings might fix.

True, the arguments adduced to the Senate committee were, that such a system would necessitate the use of but a small supply of gold, as what came in for customs would be immediately paid out for interest, and so none would be locked up, but the result proved its action to be like that of a well-constructed mouse-trap; what gold went through the treasury for interest, was mostly hoarded by the bondholders, especially when the premium was daily advancing.

It required little intellectual capacity or action to perceive that with this cunningly-arranged trap to bring the gold in the country into the vaults of the bondholders, while, as shown in a preceding page, our French and English antagonists, partly from hate, and partly from fear, would not assist us in supply, but rather assist in the drain, the supply of gold on the market must rapidly diminish.

No high order of mathematical ability was required to demonstrate that while our bonded indebtedness was increasing $2,500,000 per day, thus swelling the semi annual gold payment $75,000 each day more than the previous one, with the government forced into the market to buy, to supply its deficiencies, and to compete with a hundred merchants scrabbling for gold to pay their custom-house duties with ---I say no great genius in figures was required to show that the credit of the nation was, as events soon showed it to be be, in the power of rings[$] on either side of the Atlantic, which could, with entire safety to themselves, "corner" the gold supply of the nation.

As the French say, "it is the first step which costs," and like the traditional boy who began his career of crime by stealing ten cents, so with our government, having surrendered our national credit into the hands of those who, as Mr. Stevens described (quoted in a later page) as so kindly and persistently urging this hari-kari upon Congress, it found itself forced to accumulate a large supply of gold in the Treasury, as a reserve to "drown the market," whenever the bullionists were considered too aggressive in their demands.

$ Perhaps, the army should have been sent to the dwelling places of these rings, too, not just to the dwelling places of women and children of the South.

This withdrawal of supply of course farther advanced the premium and assisted the designs of that privileged class which Mr. Chase and Mr. Fessenden and their colleagues had shown such anxiety and subserviency to protect.

Another argument against the Senate amendments, which was on the return of the bill to the House more strongly presented than we can state it, was,

the creation of a privileged class,

which was to be kindly solicited, imperially endowed and lavishly rewarded, exempt from taxation and paid in gold, while the worker, the soldier and the citizen generally was to be forced to accept the legal tender, with all risk of depreciation, driven into the ranks of the army, and doomed to be doubly taxed that the new order of American nobility might be exempt.

It is much to the credit of the heart of Mr. Fessenden, however discreditable to his capacities as a statesman, that he admitted in his annual report when Secretary of the Treasury, in December, 1864,

> "The experience of the past few months cannot have failed to convince the most careless observer that, whatever may be the effect of a redundant circulation upon the price of coin, other causes have exercised a greater and more deleterious influence. In the course of a few days the price of this article rose from $1.50 to $2.85 in paper for $1.00 in specie, and subsequently fell, in as short a period, to $1.87, and then again rose, as rapidly, to $2.50; and all without any assignable cause, traceable to an increase or decrease in the circulation of paper money, or an expansion or contraction of credit, or other similar influence on the market, tending to occasion a fluctuation so violent. It is quite apparent that the solution of the problem may be found in the unpatriotic and criminal efforts of speculators, and probably of secret enemies, to raise the price of coin, regardless of the injury inflicted upon the country — or, desiring to inflict it." ---*quote from Spaulding's book*

Oh! oh! oh!--- Why couldn't the men have seen, in 1862, when the intelligent enemy was almost surrounding us, when his allies of Europe ---the monopolists of gold--- were helping the said enemy to illumine every sea with our burning commerce, why couldn't he and his followers see that, with the vigilance and intelligence manifested by that enemy every where else, he would be sure not to leave without attacking that most potent element of modern warfare, our national credit. He put one nation into the enemy's power, and was surprised that the enemy used that power.

And while our soldiers, torn from their homes, were disputing every inch of ground in the battle-field, or dying in the hospitals, it was a grievous error for our weak legislators, and an unparalleled crime for the wiser, thus, in response to feasting and flattery, to give up the key to our nation's credit, and charter those plunderers to run riot through the resources of the nation ---to endow them with means for the amplest profligacy, while our soldiers were giving their best life for a meagre pittance.

And when we reflect that the survivors, on returning to their families, found that the further burden was imposed on them of paying double taxes that the privileged class might be exempt, we feel compelled to turn from the picture with horror and disgust.

Where are those pens and voices[**] which, not many years since, pleaded so eloquently against the class legislation and the oligarchic privileges of the southern slaveholder ?

By reference to the columns of the *Tribune*, the *Christian Union*, the *Independent*, and others of that class, we find them working in favor of the same class-legislation, which they urged us to a war against, and, having freed the negro, they have fastened the manacles on the white worker and producer, and placed the whip in the hands of their legalized monopolists.

"Will you come into my parlor,"
Said the spider to the fly.

Mr. Fessenden, as chairman of the Senate committee on finance, advocated the amendments, we quote[$]:

> According to our amendment, the Government will be obliged to provide itself with coin for the payment of the interest. The object of this provision is not only to do justice in this regard, but also to make it raise and support the credit of the Government obligations; and it will be perceived how very important it is to that end. The Secretary, by the provision which I have referred to, is obliged to provide himself with coin for that purpose, and he is obliged to do it at whatever sacrifice may be necessary in order to accomplish that purpose. This certainly will have one effect: it proves the good faith of the Government; that it means to do all it can; that it means to spare no effort at whatever cost to give to those who take the Government paper, what they wish to receive, something besides Government paper, and thus running round in a circle of paper, for the interest upon their debts.
>
> But, sir, it was not enough, perhaps, to show, the good faith of the Government in this particular. The committee have recommended that we go further, and that we provide a specific fund, in order to accomplish that purpose, and set it aside for that object. It was proposed in the committee --- and it struck me favorably at first --- to set aside specifically the public duties, by providing that the duties on imports should be paid in coin; but on consideration, it was deemed by the committee that that would be hardly fair. The result would be to make a distinction between different classes of the community; and to impose a very heavy burden upon those who are engaged in trade, and who would be called upon to pay duties. If we

** Perhaps, it would be time for you to recognize that those "pens and voices" were in the service of the "monopolists," that the war of '61 was fomented and brought on by the monopolists, to accomplish their aims, that these "pens and voices" and their paymasters did not object to slavery, only to southern slaveholders.

$ you people present Fessenden as if he was the one who carried the day. He voted against the legal-tender clause, and he was defeated. None of ye ever bothered to read what John Sherman said in the Senate on the subject and how his argument for the legal-tender clause carried the day; yet none of you ever said that John Sherman wanted to benefit the people.

ye never quote Thaddeus Stevens' December 19, 1862, remark that "I procured to be inserted a provision making the duties on imports payable in gold."

provide a paper currency, the natural and inevitable effect of it is, that coin increases in price.

The dogmatic assurance of the last parrot-like utterance, that, if we provide a paper currency, the natural and inevitable effect of it is, "that coin increases in price," is worthy of Bunsby, and its legal acumen could not be surpassed by Dogberry, as he must have known that, even with the fearful inflation of the old bank bills and credits to 100 per cent. circulation of basis coin was at par.

If, before he turned teacher, he bad condescended to be a learner, he would have known that the analysis of English redemptions, as per Sir John Lubbock and Professor Bonamy Price is in gold, per $100, 50 cents; in paper money, $2.50; in checks and other things based on discounts more or less remote, $97 ---total, $100.

A few years after this utterance, the Republican statesmen of France, knowing the facts of our history just quoted, and, perhaps warned by the deadly results of our almost fatal empyricism, when their nation had just been whipped in war, and forced to pay the costs on both sides; the enemy holding possession of her territory as collateral until the coin liquidation of his claim ---with her chief city, whose population is equal to that of our Empire State, in the occupancy of insurgents, boldly issued a full legal tender currency, and with it so stimulated production that gold appreciated, as compared with legal tenders, at no time over 2½ per cent., and but a few days at that.

Her statesmen were so intelligent, that not only did they increase the volume of the nation's currency to several times its former amount, but they took especial pains to secure its full introduction, and so stimulated industries that the balance of trade became immediately largely in her favor, and in a short time specie redemption was practicable.

We submit that the position of France was infinitely more critical than ours; that her productive resources were in every way inferior to ours, and the sole reason why she emerged from her great calamities, so comparatively harmless as contrasted with ours, was the ability and conscientious devotion to duty of her legislators.

Mr. Fessenden, after arguing with great wisdom, that the war would be ended at the close of 1862, but conceding, for argument, that it might continue until the end of 1863, when he says, "it must end unquestionably," he proceeds in his special argumuent in favor of paying the interest in gold ---thus *Congressional Globe*, page 765:

But suppose it is not ended in that time, suppose our debt goes up to double that amount, and the war continues for another year, when it must end unquestionably, we shall have a heavy capital of debt, but all that is necessary is to secure the payment of the interest. A public creditor looks not to the principal. He looks to his investment. He wants to know what his interest is to be. The example of England

proves this abundantly. Nobody supposes that England will ever pay her debt; nobody has supposed it for years; and yet her stocks are always sound, and are sought for, even at a very low rate of interest, on account of their security. They sell in the market at about par, varying very slightly according to circumstances; and yet nobody expects the principal to be paid. All therefore we have to calculate upon, all that we have to provide for, is to satisfy the public creditor, either at hone or abroad, that when we put out our obligations for a series of years, he may be certain that the interest will be paid, and the result is equally sure.

We regret that we cannot lay the full discussion of this most important subject-matter before our readers. They would see that gold payment of the interest only was adverted to, as it was the only question before the House, the bill itself making principal and interest payable in greenbacks, but the Senate insisting that such greenback payment should be waived as to interest and interest only, making that payable in gold.[**]

It was well for Mr. Fessenden's position[$] in good society that his previous apparent loyalty had been transcendent, as, should such suggestion as the above extract contains come from less distinguished and consecrated lips, the owner of the said lips might have been placed in a very unpleasant limbo.

It was not complimentary to common sense or common honesty of the American people, or even to the American Congress, that he should, in substance, say:

"My good fellows--- agree to this; sign this IOU, agreeing to pay 6 per cent interest for a limited number of years, premium and exemption from taxes, say 4 per cent (in all 10 per cent.), and we won't say anything about the principal ---John Bull never intends to pay; why should you ?"

If Mr. Fessenden, then and there, did intend to council what his words clearly indicated, large, temporary coin interest, and ultimate repudiation of the principal of the national debt, in defiance of the stipulation of the bonds, the charge of felonious intentions against those plain people, who claim that said bonds should be paid, principal and interest, according to law, seems ridiculously absurd from those who not only did not object to Mr. Fessenden's felonious suggestions, but soon called him to the higher position of Secretary of the Treasury.

Though digressing from the proper chronological order, we will right here, sailor-like, again make a reckoning:

When Congress met in December, 1861, we find the distinguished finance minister, Chase, at the head of the Treasury, and gold at par. Under his administration gold ran up, by Jan. 18th, '62, to 103, and there remained until the passage of the legal tender act, with all its mutations, when it imme-

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** You didn't bother to learn what was debated and decided in the House, and out of this lack of knowledge you invent a false premise, and upon this false premise you build up theory and thesis.

$ Fessenden was a life-long Whig, in 1841 he was sitting in the House and supporting the charter of a third Bank of the United States; in 1862 he wasn't doing anything out of character.

diately dropped to 102¼, and continued sagging until March 24th, when it reached 101¼, and with the slight variation of ½ per cent., remained stationary until May 1st, when the great upward surge of gold premiums set in.

Mr. Chase retained his position until Saturday, June 30th, 1864, when, after having been so successful as to see gold selling that day at 250, he resigned his post, and the distinguished statesman, who had, with such remarkable ability, presided over the deliberation of the finance committee of the Senate, was appointed to take the abandoned portfolio, which he did July 5th, and one week from that day gold touched 2.85, thus causing our bonds to be sold at 35 per cent. for gold.

Whether this sudden jump is ascribable to Mr. Fessenden's indifference as to payment of principal or not, we won't now discuss, but feel some curiosity to know where Mr. Constituent, who, at that rate, bought bonds bearing gold interest at six per cent., with twenty years to run, with premium on same and exemption from taxes, four per cent. more, will land.

We find by reference to official tables that should he succeed in investing and compounding his interest at the same rate, if he bought at par, he would, at maturity of the bonds, be, for each $100 invested, the happy possessor of $672.74.

But if said constituent should have invested $100 in the same bonds a week after Mr. Fessenden's accession to office, at 35 per cent., he would have $1,923.

If, on the same day that he bought our 6 per cent., free of tax, etc., last defined, he had invested $100 in British consols, 3 per cent. after paying tax on them for twenty years, he would have $180.61. Supposing the consol to be bought at par.

Out creditor would have $1,923, free from tax; the English creditor would have $180.61, and have to pay a tax out of that.

"There's method in his madness." ---*Hamlet.*

Asking the reader's pardon for this digression, we will resume the Senate discussion of the legal tender and 5/20 bill.

Mr. Sherman of Ohio, followed much in the same line of parrot-talk but made one sensible, but by no means pertinent, remark, that---

> "We ought to have out one kind of securities like the consolidated debt of England, which is a 3 per cent security."

Mr. Sherman was probably aware[$] that what he called the consolidated debt of England, is there termed an interminable annuity, principal never to

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$ You either have not read Sherman's address, or you are purposely dismissing it (because it doesn't fit your construction). Sherman spoke for an hour supporting the legal-tender clause. He pertinently explained that large bankers are asking for legal-tender treasury notes. He also explained that without legal-tender treasury notes there is nothing with which bonds might be purchased (because one of the purposes of this whole exercise was to generate a large bonded debt). Senators who voted for the legal-tender clause, also voted for the national currency bank bill.

be paid, but bearing 3 per cent. interest, subject to taxation. Such a form has merits, without doubt, over anything we have at present.

Almost the only redeeming, manly, patriotic utterance, was that of Mr. Wilson,[**] of Massachusetts, now Vice-President, which we quote thus, *Congressional Globe*, page 789, second session 37th Congress:

> "I look upon this contest as a contest between the curbstone brokers, the Jew brokers, the money-changers, and the men who speculate in stocks, and the productive, toiling men of the country.

Few supported and many denounced the measure, and the special pleading in behalf of the international imperialism of gold, was not exceeded in intensity by the immortal effort of Shylock for the pound of flesh. Out of the fiery ordeal ---mutilated and loaded with shackles, as by the proposed amendments, before quoted, the people's legal tender was pitched back to the Lower House on the 14th of February, where we will follow it.

On receipt it was, with the Senate's crippling disabilities, termed amendments, referred to the committee of ways and means, and on the 18th it was reported back by Mr. Stevens, as chairman, and made the special order for the next day, the 19th. The reader will please to take especial notice, that the Senate in its amendments, did not attack the provision that the principal of the bonus was payable in legal tender notes, but followed the lead of Mr. Fessengen and Mr. Sherman, whose remarks on that point we have already quoted, arguing that such redemption was a matter of so trivial importance, that it was of no consequence whether they were ever paid or not.[$]

Said Senate, by its majority, seemed to act as if following a carefully devised plan or plot, comprehensive and far-reaching, of which the immediate steps were:

** Mr. Wilson, along with Sherman, Chandler, Sumner, voted for the legal-tender clause; then, some years later he voted for reduction of currency, and for credit strengthening (and Mr. Drew could have known that). Henry Wilson was a radical reconstructionist, he wanted to reorganize the united States under the firm control of a central government in Washington ---greenbacks were one of the means to that end.

following Wilson and Sherman, Senator Cowan spoke, and asked a question:

"It has been said that this bill will relieve the people from the clutches of the bankers and brokers, &c., and that any one who opposes it, is of course friendly to and sustaining their interests. I do not understand it, when I am told by all the advocates of this bill that all of these same people, almost without exception, are in favor of it. I suppose they are the financiers --the great **financiers** of the country-- of whom we have heard so much, and to whose opinions we must all yield. If so, they are more patriotic and magnanimous than they are reckoned to be, in thus **devoting themselves to this scheme**, which is to be the death of their interests. It may be true, but the Jews may believe it for me."

$ Had you bothered to read what Sam Hooper said on February 3rd, you would have known that the authors of the bill espoused the exact same sentiment, and the concept of perpetual debt did not originate in the Senate:

"This tax bill will give to the bonds of the United States the character so much desired by capitalists, that of a sure interest-paying security. With such a character there would be no harm done if the **principal were never paid**, so far as those holding the bonds are concerned, because capitalists in the aggregate do not care for the payment of their principal; the only value which they place upon the capital is derived from the fact that it will yield them a revenue;"

First--- To cramp the legal tender of the people by depriving it of the power and attributes of the legal tender of the oligarchs (gold), and thus secure three immediate results, thus---

(a)--- By securing to such oligarchs their full legal tender (gold), with all the advantages of its old endowment by government of universal power.

(b)--- By sending the people's money** on its mission mutilated and loaded with shackles, and, as Mr. Hooper said, "depreciated in advance," to compete in its race with the free and full legal tender of the oligarchs ---the latter petted, caressed and sustained by all the power of gold monopolists on both sides of the Atlantic.

(c)--- And what may seem trivial at first glance, but on examination will result as of first-class importance, the chance of pointing at the progress of the two rivals in the race, and constantly asserting that the greater purchasing power of gold was solely ascribable to its inherent excellence, and carefully suppressing the fact that it (gold) as the creature of law was a full legal tender, while its competitor, the greenback, was, by the same creative power, most wickedly and cruelly crippled.

A little consideration and review of the French experience, heretofore quoted, will convince the reader that this government discrimination against its own peculiar currency has been and is the great, if not the sole, reason for the disparity of values.

The second atrocious amendment of the Senate was---

> "That the Secretary (of the Treasury) might dispose of United States bonds at the market value thereof for coin or treasury notes."

When the amendments were called up for consideration, February 19th, as per order of the previous day, Mr. Spaulding opened the debate, we quote from his remarks thus:

> I desire especially to oppose the amendments of the Senate which require the interest on bonds and notes to be paid in coin semi-annually, and which authorizes the Secretary of the Treasury to sell six per cent. bonds at the market price for coin to pay the interest.
>
> The Treasury note bill, as reported first from the Committee of Ways and Means as a necessary war measure, was simple and perspicuous in its terms, and easily understood. It was so plain that everybody could understand that it authorized the issue of $150,000,000 of legal tender demand notes, to circulate as a national currency among the people in all parts of the United States, and that they might, at any time, be funded in six per cent. twenty years' bonds.

Right here, let us metaphorically stick a pin. This characteristic of redeemability of the greenback in bonds, as it originally stood, was not

** It is wishful fantasy to declare greenbacks to be "the people's money." It was the bankers' money. If bankers had opposed it, as much as you claim they did, there would not have been greenbacks.

There is something in the French experience which you leave out: in France silver was legal tender, and silver coins circulated; Napoleon carried a war and a redevelopment of the country without resorting to paper, solely on silver basis.

affected by the Senate's mutilations, but remained intact in the bill as it passed both the houses, received the approval of the President and became a law. Its assassination was planned as a later act in the drama.[$]

The immediate result of this clause was so to raise the power of the people to produce, and with the results of production to buy bonds, that on the 17th day of June, in less than four months from the passage of the bill, the gold value of our six per cent. bonds had advanced from ten per cent. discount, to two per cent. premium.

We quote further from Mr. Spaulding:

> It might be very pleasant for the holders of the seven and three-tenths Treasury notes and six per cent. bonds, to receive their interest in coin semiannually, but very disastrous to the Government to be compelled to sell its bonds, at ruinous rates of discount, every six months to pay them gold and silver, while it would pay only Treasury notes to the soldier, sailor, and all other creditors of the Government.
>
> I am opposed to all those amendments of the Senate which make unjust discriminations between the creditors of the Government. A soldier or sailor who performs service in the army or navy is a creditor of the Government. The man who sells food, clothing, and the material of war, for the use of the army and navy is a creditor of the Government. The capitalist who holds your seven and three-tenths Treasury notes, or your six per cent. coupon bonds is a creditor of the Government. All are creditors of the Government on an equal footing, and all are equally entitled to their pay in gold and silver.
>
> I am opposed to all those amendments of the Senate which discriminate in favor of the holders of bonds and notes by compelling the Government to go into the streets every six months to sell bonds at the 'market price,' to purchase gold and silver in order to pay the interest 'in coin' to the capitalists who now hold United States stocks and Treasury notes heretofore issued, or that may hold bonds and notes hereafter to be issued; while all other persons in the United States (including the Army and Navy and all who supply them food and clothing,) are compelled to receive legal tender Treasury notes in payment of demands due them from the Government.
>
> Why make this discrimination ? Who asks to have one class of creditors placed on a better footing than another class ? Do the people of New England, the Middle States, or the people of the West and Northwest, or anywhere else in the rural districts, ask to have any such discrimination made in their favor ? Does the soldier, the farmer, the mechanic, or the merchant ask to have any such discrimination made in his favor ? No, sir; no such unjust preference is asked for by this class of men. They ask for the legal tender note bill pure and simple. They ask for a national currency which shall be of equal value in all parts of the country. They want a currency that shall pass from hand to hand among all the people in every State, county, city, town and village in the United States. They want a currency secured

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$ Would it surprise you much to learn that on June 23, 1862, Thaddeus Stevens was the first to propose "to abrogate the right to convert greenbacks into 5/20 bonds" ? And the Thaddeus made this outburst: "I do not care what is the cause of their keeping at par or nearly so." The Record was there, for you to read, but have you ? or, are you ignoring the Record because it does not support your construction ?

by adequate taxation upon the whole property of the country, which will pay the soldier, the farmer, the mechanic, and the banker alike for all debt due. They ask that the Government shall stand upon its own responsibility, its own rights, and exert its vast powers, preserve its own credit, and carry us safely through this gigantic rebellion, in the shortest time, and with the least possible sacrifice. They intend to foot all the bills, and ultimately pay the whole amount, principal and interest, in gold and silver.

Who, then, are they that ask to have a preference given to them over other creditors of the Government ? Sir, it is a very respectable class of gentlemen, but a class of men who are very sharp in all money transactions. They are not generally among the producing classes---not among those who, by their labor and skill, make the wealth of the country; but a class of men that have accumulated wealth---men who are willing to lend money to the Government if you will make the security beyond all question, give them a high rate of interest, and make it payable in coin. Yes, sir, the men who are asking these extravagant terms, who want to be preferred creditors, are perfectly willing to lend money to the Government in her present embarrassment, if you will only make them perfectly secure, give them extra interest, and put your bonds on the market at the 'market price,' to purchase gold and silver to pay them interest every six months. Yes, sir, entirely willing to loan money on these terms ! Safe, no hazard, secure, and the interest payable 'in coin'! Who would not be willing to loan money on such terms ? Sir, the legal tender Treasury note bill was intended to avoid all such financiering and protect the Government and people, who pay the taxes, from all such hard bargains. It was intended as a shield in the hands of the patriotic people of the country against all forced sales of bonds, and all extravagant rates of interest.

The legal tender note bill is a great measure of equality. It proposes a currency for the people which is based upon the good faith of the people and all their taxable property. All are obliged to receive and pass it as money, and all are obliged to submit to heavy taxation to provide for its ultimate redemption in gold or silver. Every attempt on the part of any class of citizens to create distinctions and secure a legal preference, mars the simplicity and success of the whole plan. The very discrimination proposed carries on its face notice to everybody that although the notes are declared to be 'lawful money and a legal tender in payment of debts,' yet that there is something of higher value, that must be sought after at a sacrifice to the Government, to pay a peculiar class of creditors to whom it owes money---a kind of absurdity and self-stultification which does not appear well on the face of the bill. It is an unjust discrimination which does not appear well now, and will not look well in history. You will, if the Senate's amendment is adopted, depreciate, by your own acts, your own bonds and notes, and effectually destroy the symmetry and harmonious working of the whole plan.

I am in favor of having the Government pay in coin, if it can do so without too great a sacrifice; but I am unable to see any good reason for departing, in this case, from the usual practice of the Government in expressing the mode of paying the interest. All bonds and Treasury notes heretofore issued are payable generally without specifying that either the principal or the interest shall be paid in coin, and yet the legal effect is the same. I do not see why we should now, in the present embarrassed condition of the Government, give any preference to one creditor over

another, or change the form of our bonds and Treasury notes by inserting the words 'payable in coin.' The capitalist who holds your bonds or seven and three-tenths Treasury notes is not entitled to any preference over the soldier or the man who furnishes supplies to your Army. We should pay both in specie, if possible; but I am unwilling to tie up the hands of the Government by compelling it to pay 'in coin,' the interest on all the bonds and notes heretofore issued, or that may hereafter be issued. The bonds and notes heretofore issued contain no such express provision; it is not 'so nominated in the bond'; and I am unwilling to have it inserted at this time, either as to those now outstanding or as to those that are hereafter to be issued. Besides, if you commence in this way, by stipulating expressly to pay in coin on the bonds to be issued, it becomes a contract which cannot, without a breach of faith, be changed by a repeal of the law. You unnecessarily commit the Government to a stipulation which may be very inconvenient, if not impossible, to fulfill, if the public debt runs up to $2,000,000,000, the interest upon which, at six per cent. per annum, would be $120,000,000 annually, requiring $60,000,000 of coin every six months to pay interest on your funded debt. I think we should pause before committing ourselves to any such proposition, for no man here is wise enough to tell how long this war will continue, or how many complications with foreign nations will grow out of it, or how great will be the war debt. By all means let us pay the interest in gold to those who desire it, if it is practicable to do so; but let us keep the power in the Government itself, and exercise it wisely for the best interest of the whole people.

The people in the country who hold seven and three-tenths Treasury notes are patriotic enough, while the war lasts, to receive their interest in any money that will pass currently at the banks and among the people. Money with them is only valuable for its uses. Legal tender Treasury notes can be used for all business purposes, without compelling the Government to sell its bonds at fifteen or twenty per cent. discount to procure coin when it is entirely unnecessary.

Mr. Samuel Hooper remarked [on February 20th][**]:

I am opposed to this amendment of the Senate which requires the interest on Government notes and bonds to be absolutely paid in coin, because its effect will be to depreciate these notes as compared with coin, by declaring them in advance to be so depreciated. It creates a necessity for the Government to obtain a large amount of coin by purchase, if it is not received in payment of taxes and loans, which hold out an inducement to speculate on the necessity of the Government, by collecting and hoarding the coin against the time that it will be required by the Government to pay its interest; and because it is an unnecessary inconvenience to require the whole amount of the interest to be paid in coin, when only the small amount is necessary that is to be remitted to foreign holders of bonds; which could

** There was, however, a member of the House who was never quoted by greenbackers, Representative William McKee Dunn (1814-1887), who was a participant eye witness to these proceedings, and he stated in the House, on February 19, 1862: "Mr. Chairman, when this bill was under consideration in the House, a direct vote was taken upon the proposition to pay the interest on the bonds in coin, and the House sustained that proposition by a very decided vote. I do not quite understand by what **legerdemain** the bill went to the Senate in a **different form**. I voted then that the interest should be paid in coin, and I shall vote so now, notwithstanding the arguments employed here to induce us to vote differently." ---so the crocodile tears of Stevens and Spaulding are just that

easily be obtained at small cost, if the effect of the issue of the Government notes should be what the friends of this bill expect.

It appears to me the opponents of the bill, if their arguments have any force, prove too much. I am not surprised that members who openly avow themselves as opponents of the Administration should object to a measure that is recommended as a necessity by the Administration to which they are opposed. But I was astonished yesterday to hear my friend from Vermont express his want of confidence and his distrust, and denounce those notes, issued by the Government, as the 'meanest paper trash.'

The closing remarks on the bill were made by Mr. Stevens, chairman of the house committee of ways and means. We extract as follows [Drew was not quoting from the Record, he was quoting from Spaulding's book. Spaulding edited Stevens's address. This here is the full text]:

Mr. Speaker, I have a very few words to say. I approach the subject with more depression of spirits than I ever before approached any question. No personal motive or feeling influences me. I hope not, at least. I have a melancholy foreboding that we are about to consummate a cunningly devised scheme, which will carry great injury and great loss to all classes of the people throughout this Union, except one. With my colleague, I believe that no act of legislation of this Government was ever hailed with as much delight throughout the whole length and breadth of this Union, by every class of people, without any exception, as the bill which we passed and sent to the Senate. Congratulations from all classes—merchants, traders, manufacturers, mechanics and laborers—poured in upon us from all quarters. The Boards of Trade from Boston, New York, Philadelphia, Cincinnati, Louisville, St. Louis, Chicago and Milwaukee, approved its provisions, and urged its passage as it was.

I have a dispatch from the Chamber of Commerce of Cincinnati, sent to the Secretary of the Treasury, and by him to me, urging the speedy passage of the bill as it passed the House. It is true there was a doleful sound came up from the caverns of bullion brokers, and from the saloons of the associated banks. Their cashiers and agents were soon on the ground, and persuaded the Senate, with but little deliberation, to mangle and destroy what it had cost the House months to digest, consider and pass. They fell upon the bill in hot haste, and so disfigured and deformed it, that its very father would not know it. [Laughter.] Instead of being a beneficent and invigorating measure; it is now positively mischievous. It has all the bad qualities which its enemies charged on the original bill, and none of its benefits. It now creates money, and by its very terms declares it a depreciated currency. It makes two classes of money — one for the banks and brokers, and another for the people. It discriminates between the rights of different classes of creditors, allowing the rich capitalist to demand gold, and compelling the ordinary lender of money on individual security to receive notes which the Government had purposely discredited.

Let us examine the principal amendments separately, and see their effect. The first important one (being the fifth,) makes the notes issued under the laws of July 17, a legal tender, equally with those authorized by this bill. There can be but little wisdom in putting these two classes on an equality. The notes of July bear seven and three-tenths per cent. interest, and are payable in three years. This gives them a

sufficient advantage over notes bearing no interest and payable virtually in twenty years bonds, with six per cent. interest. Why give them this additional advantage? Simply because the $100,000,000 issued are all held by the associated banks, and this is their amended bill. They would displace $100,000,000 of this money in the circulation, and render it impossible to use any considerable amount of these United States notes as a currency. These notes have served their purpose. Why allow them to block up the market against further relief to the Government?

The banks took $50,000,000 of six per cent. bonds, and shaved the Government $5,500,000 on them, and now ask to shave the Government fifteen or twenty per cent. half yearly, to pay themselves the interest on these very bonds. They paid for the $50,000,000 in demand notes, not specie, and now demand the specie for them. Yet gentlemen talk about our making other loans in these times. They are crazy or sleeping, one or the other, I do not know which.

When this question was discussed before, the distinguished gentleman from Kentucky (Mr. Crittenden) asked me whether it was the intention or expectation of the House to go on and issue more than one hundred and fifty millions of dollars of legal tender notes—a pertinent question, which I saw the whole force of at the time. I told him that it was my expectation that no more would be issued by the Government; that they would be received and funded in the twenty year bonds.

Mr. Lovejoy. I ask the gentleman from Pennsylvania whether $150,000,000 of gold could not be put into circulation as well as $150,000,000 of Treasury notes?

Mr. Stevens. If this $150,000,000 would come out of the banker's and miser's hands; but they have suspended specie payment, and would not give out a dollar. They say pay us a discount, and then when these notes are made a legal tender we will be again in the clutches of these harpies. I do not want to use hard names. I suppose these men act from instinct. If I were now to answer the question of the gentleman from Kentucky, I would not give that answer. I do not expect one dollar of the $150,000,000 of legal tender notes ever to be invested in the twenty years bonds. I infer from the amendment that before we adjourn $150,000,000 will be asked for, which will never be funded in those bonds, and so on, as they are needed, as no bonds will be funded until our circulation will become frightfully inflated.

The notes, by another amendment, are authorized to be invested in notes or bonds payable in two years, and bearing an interest of seven and three tenths. One of the great objects of the bill was to induce capitalists to invest in six per cent. bonds or lose their interest, and thus to furnish a continually recurring currency by the sale of these six per cent. bonds. This provision would effectually prevent the funding a dollar in those bonds. They would all go in preference into seven and three tenths bonds, due in two years, when no one believes we can pay them.

But this is not the worst. The tenth amendment provides that any holder of the United States legal tender notes, if he have $100 and upwards, shall draw five or six per cent. interest on them until he chooses to use them. The poor who have less than $100 shall draw no interest. It is plain that, by these two contrivances, not one dollar of these United States notes will ever be funded in six per cent. bonds.

---[Mr. Spaulding left above two paragraphs out when he quoted this speech. Mr. Sherman in 1867 stated that the 5/20 bonds would not float until the Treasury notes were depreciated by over-issue]

But now comes the main clause. All classes of people *shall* take these legal tender notes at par for every article of trade or contract, unless they have money enough to buy United States bonds, and then they shall be paid in gold. Who is that favored class ? The banks and brokers, and nobody else. They have already $250,000,000 of State debt, and their commissioners would soon take all the rest that might be issued.

But how is this gold to be raised ? The duties and public lands are to be paid for in United States notes, and they or bonds are to be put up at auction to get coin for these very brokers, who would furnish the coin to pay themselves, by getting twenty per cent. discount on the notes thus bought.

Now, in less than a year, taking the public debt at what my colleague makes it --I make it more-- $1,200,000,000, what will the interest be upon it at seven and three tenth per cent., for it will all center in that rate of interest ? It will be $87,000,000, and one half of that amount, $43,500,000, must be raised every six months for the paying of this interest, and it is to be raised in coin, which nobody holds but the large capitalists. Does anybody suppose that they are going to give that coin for such notes as we are now about to issue, at par ? They will sell the gold for what their consciences will allow, and they will compel the Government to give anything they choose, unless the Government consents to become dishonored. The first purchase of gold by the Government will fix the value of these notes which we issue and declare to be a legal tender. That sale will fix their value at ten, fifteen, or twenty-five per cent. discount, and then every poor man, when he buys his beef, his pork, and his supplies, must submit to this fifteen or twenty-five per cent. discount, because you have said that that shall be the value of the very notes which you have made a legal tender to him, but not a legal tender to those who fix the value of these very notes. Does any one believe that anybody but bankers and brokers fixes the depreciation of currency ? So you will thus have fixed the market value of your notes at seventy-five or eighty per cent., and yet they are a legal tender to the poor of the country, while they are no legal tender to those who hold the coin of the country.

By the original bill the Secretary of the Treasury was allowed to sell these bonds at their value for lawful money -- that is, for these legal tender notes. But now, by the provisions of this bill, after the market value has been fixed and they are depreciated, the Secretary of the Treasury is authorized to go into the market and sell them for coin, not at par, but at the market value therefor. Was there ever a more convenient contrivance got up, into which blind mice run, to catch them ? Was ever before such a machine got up for swindling the Government and making the fortunes of the gold bullionists in one single year ?

But as if this accumulated folly were not quite enough, another amendment provides that these notes, when presented in sums not less than $100, may be transferred into seven and three tenths notes payable in two years. Parties may buy these notes at a discount and put them into notes payable in bullion at two years, at seven and three tenths interest, for that is part of the whole system.

Now, sir, does any man here believe that, not withstanding the victories we are gaining, the Government will be able to redeem these notes in two years ? If not, they will be shoved upon the market and sold for coin at whatever discount may be demanded.

---[Mr. Spaulding left above four paragraphs out, too !!!]

I have proposed an amendment to the Senate amendment upon the principle of legitimate parliamentary rules, that you may make as palatable as you can an amendment which you do not like, before the vote is taken upon it. My amendment is offered for the purpose of curing a little the evils and hardships of the original amendment of the Senate. And though it may be adopted, I shall vote against the whole as amended. My amendment is to except from the operation of the legal tender clause the officers and soldiers of the army and navy, and those who supply them with provisions, and thus put them upon the same footing with the Government creditors who hold their bonds. I hope they will not be thought less meritorious than the money-changers. I trust it will be adopted as an amendment to the Senate amendment, so that if this pernicious system is to be adopted, if the beauty of the original bill is to be entirely impaired, those who are fighting our battles, and the widows and children of those who are lying in their graves in every part of the country, killed in defense of the Government, may be placed upon no worse footing than those who hold the bonds of the Government and the coin of the country.

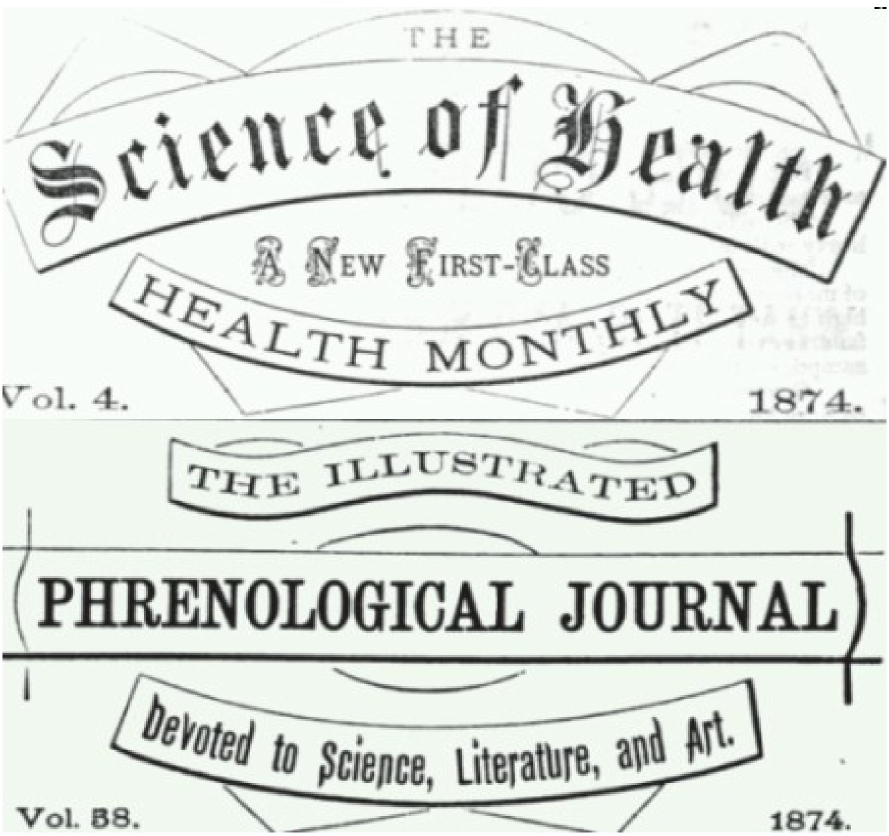
A conference committee on the part of the House was appointed to meet a similar committee from the Senate, and the bill was passed and approved by the President the same day, to wit: February 25th, 1862.

"a nation's wealth for a nation's need"

OUR CURRENCY:
WHAT IT IS AND WHAT IT SHOULD BE.

by
J O H N G. D R E W

New York:
S.R. Wells, 389 Broadway, Publisher
H.C. Baird, 406 Walnut Street, Philadelphia.
sold by newsmen.



The *Phrenological Journal* will, in the future, as in the past, continue to be the Organ of Humanity ---to disseminate truth, from whatever source it may be derived --- truth old and truth new, that in any way affects human interests. Its departments of Physiology and Psychology shall have their due prominence, embracing the great subjects of Man's Physical Structure, and Thought, Life, and Soul-life, with the correlative topics of Education, Society, Marriage, Religion. Also, the method of Character Reading, from the signs so precisely indicated by Phrenology and Physiognomy. This Journal enters upon its 58th volume with the January number.

Preface to third edition

When early in December last, this small waif was sent out, its mission seemed as hopeless as was that of Noah's dove. The nation was submerged beneath a deluge of bankruptcies, and the air was heavy with others impending. The productive powers of the country were stagnant, and the accumulations of more prosperous times were rapidly disappearing, partly by frauds so permeating high as well as low places as to seem a moral national epidemic; partly by honest failures exemplified by the traditional row of bricks; and partly by the enforced consumption of the savings of better times.

Government was paralyzed; Congress was bewildered; Statesmanship seemed to have fled the country; political economy appeared to be with the lost arts, and we seemed to be waiting the *coup de grâce* which should lay the republic in its last resting place, by the side of its dead predecessors.

Seemed, did I say ? --- I should say the executioner was ready with his legislative enactments, more subtle but not less deadly than the headsman's axe to drain the last drop of that vital fluid, which alone enabled us to still hold the banner of humanity and of the rights of man.

The blind sought guidance of the blind, and the pits were many and deep. The lamb asked council of the wolf, and the wolf's interested advice was deemed the acme of science and common sense.

Such was the condition when Congress met. Of those legislative doctors to whom had been confided the health of the nation, the writer of this could not count five, who having seen the sufferer prostrated by depletion from the most vigorous health, to this near approach to the grave, would acknowledge that a change of treatment was necessary.

The Sangrados had bled the patient almost to death, and persisted in their treatment with hardly a protesting voice. Those whose sworn duty it was to see that the "republic received no harm" seemed either paralyzed or sold to its enemies.

But the nation was not yet to die. A low rumbling of the peoples' indignation from the prairies of the West, and the Savannahs of the South,

was heard, and the voice of that people as the "voice of God," was a more effective tonic than the "still small voice" of conscience hitherto relied on.

Congressman after Congressman aroused and thought for himself, and when, on the 19th day of January last, the House divided on a test vote, as to increase of currency, 135 voted aye; 98 voted nay; 53 did not vote.

When the House voted an increase of legal tenders, March 23d, $400,000,000, 168 voted aye; 80 voted nay, and 42 did not vote.

The latter vote did not show the strength of the expansionists, as several voted nay, deeming the concession so small as to be trifling.

The people ---the same people who created a State without a king and a church without a bishop, are now calling for an entire severance of the last shred of that umbilical cord which still connects them with their hysterical and spasmodic old mother, Europe [England]; I mean money affiliation, and they demand that we shall be, in fact, what we are in law, a free and independent nationality.

They now claim that the teaching of Washington to "avoid all entangling alliances," shall be applied to money as to other matters.

They now see that to follow the teaching of their past and would-be future disorganizers and spoliators, which would base our currency upon specie, of which we have not one single dollar in own right, and only hold what we have by the sufferance of our present creditors, would be to base all our productive and commercial interests upon a pivot, owned by foreigners; our enemies in religion and politics, and our industrial competitors, subject to removal whenever their wants or whims suggest, ---followed by a downfall in the future as in the past of the superstructure; ---forever in the power of the **old-world monarchists**; ---subject always to the alternate fever and paralysis as we ever have been; ---resulting as it always has resulted in a total want of confidence in future stability, which has made us Americans have confidence only in to-day, and as a corollary rushing into gambling and speculations instead of the slower modes of accretion by productive industry.[$]

The people are more and more affirming that such specie basis teachings, if not wicked, are undemonstrable and silly. The lines of theory are now daily more and more sharply defined, and Congress may be classified in three parts, viz.:

1st. Specie basis advocates.

The fallacies of this school are treated in the following pages, particularly from the 9th to 12th inclusive, but I cannot resist the temptation to quote from a letter, from the Hon. Oliver S. Halstead, Ex-Chancellor of New Jersey:

$ Between 1848 and 1874 U.S. mines produced 1,640,000,000 dollars' worth of gold and silver, that amount would have been enough for an exclusively coin circulation, but people like Mr. Drew's favourite, Mr. Buckingham, below quoted, voted for seigniorage which caused gold to leave the country.

"I was surprised to learn from the introductory, that 'a year since you would have thought the idea of a currency without a gold basis a blasphemy.' I have long --many years-- been of opinion that the so-called specie basis system is a sheer absurdity, a false pretence. What percentage of a sufficient circulating medium could be redeemed in specie ? The country wants, and the people are fast coming to the idea of a currency based directly on the credit of the Government, convertible into government bonds bearing a low rate of interest. I agree with you that it has always been rash for this country to allow specie to be the basis of our currency, and that now, when our currency has stood more firmly than ever, subjected to almost the greatest supposable strain for a dozen years (based on the credit of the government), to return to a system which has so often subjected us to ruinous monetary disturbances, would indeed be 'insanity.' What stronger proof than the frequent recurrence of such disturbances do men want, that a money system on a so-called specie basis is, in Cicero's words in reference to another matter, 'non modo improbus, sed etiam fatuus,' ---not only not what it ought to be, but also silly."

THE SECOND CLASS embraces the advocates of extension of the present National Bank system, called by the seductive title of Free Banking [including Mr. Buckingham]. This would enable the holders of our present bonds to combine the same to a stipulated amount and form banks, which, in addition to the present enormous revenue of 6, or 5, or 4 per cent. gold premium on same and exemption from taxation, now pays them three times what ordinary production does, would enable them to borrow currency of the Government at one per cent. interest (called tax), and by the assured monopoly and limitation of circulation, obtain what interest they might demand of the people. The old --old story-- to make the rich man richer, and the poor poorer.

THE THIRD CLASSIFICATION consists of the advocates [old Whigs who used to be religious supporters of the Bank of the United States] of what may be termed, The American Monetary System, which bases the money of the nation upon its wealth, and regulates its volume by the requirements of its production and commerce.

Its advocates claim that---

1st. When our currency in 1866 was equal in volume to that of other civilized nations, we entirely surpassed them in national and individual prosperity. (See page 15)

2nd. When we reduced the volume of that currency, we in the same ratio disabled our industries, and brought ruin upon our commercial classes. (See page 14.)

3rd. That beneficent as was that currency, its lack of elasticity was a bar to its most perfect usefulness. (See pages 5 and 8.)

4th. "That in the interchangeability (at the option of the holder) of National Paper Money with Government Bonds bearing a fixed rate of interest, there is a subtle principle that will regulate the movements of Finance and Commerce as accurately as the motion of the steam-engine is regulated by its 'Governor.' "

I have endeavored to illustrate the workings of this in the following pages.

It is claimed that this system would correct entirely the vice of in**elasticity** referred to, gradually merging our bonds, bearing high gold interest, into currency, with no interest, or into other bonds, bearing lower interest in currency, held by our own citizens in lieu of foreigners, as at present, payable in currency on demand, and giving volume, as required, to effect our exchanges.[**]

But to wait for this would be too slow, and consequently too expensive a process, as the enforced stagnation of our industries is costing millions of dollars per day ---more than the cost on both sides, of our late war.

Three supplementary modes to eliminate that currency are suggested, to wit:

1st. Government to pay all its expenses (last year they were $290,000,000), in the new currency, as defined above.

2nd. In accordance with President Grant's recommendation (also a cherished plan of Gen. Washington), open a new water route from the Ohio to the James river, defraying the cost with the new currency, and

3rd Acting upon the precedent of utilizing our navy in peace, established by loading the frigate *Macedonian*, and the store ship *Jamestown*, with food to relieve the Irish famine, take the guns from our men-of-war, and load those vessels with our products, bought with the new currency, at every shipping port of the country, sell these cargoes in Europe, and invest the proceeds there in our own outstanding bonds.

Remembering, that every dollar of that currency, though held by a citizen, is as much a certificate of indebtedness of the nation, but bearing no interest, as the larger bonds, bearing ruinous rates, and payable in gold, largely held by foreigners, it will be seen, that while our productive interests will be stimulated to life and health, as they were before the murderous assault upon them, the nation at large will be immensely the gainer by the economy of interest.

The productive capacity of the nation, with anything like a fair chance, is indicated by the census at $7,000,000,000 per year, or in round numbers $20,000,000 per day. The loss by the present enforced stagnation, is variously estimated at from one-fourth to one-half that sum. Take the smaller figure, one-quarter, and we find that we are paying $5,000,000 per day, for the luxury of our present idleness, bankruptcy and starvation; equal, as above stated, to the cost of the late war on both sides at the time of its greatest intensity.

** expansion and contraction is the essence of the credit system. It is the system, the credit system, that is the problem. He and his friends do not understand this. An inherently bad system cannot be cured by regulations, adjustments or supervision. What is needed is the elimination of the credit system.

At great cost we convulsed all civilization for years, to obtain an indemnity from England of $15,000,000, and glorified our government for the achievement, while the same government was wickedly exhausting the nation to the same extent every three days.

In conclusion, I quote ---[not really a quote, only a paraphrase] from Jonathan Duncan's work, entitled "Bank Charters," which is very suggestive:

> "Daniel De Lisle Brock, Governor of Guernsey, was waited upon by a deputation of the principal townsmen of St. Peter's, who requested his countenance and assistance towards the erection of a covered market, much wanted in that town. The Governor readily consented, and asked in what way he could assist them most effectually. He was told that the principal difficulty was to raise the required funds. The Governor replied that if that was the only difficulty he thought he could surmount it, but would ask first, if they had the requisite stores of bricks, timber, granite and flags, but, above all, had they the skilled artizans and laborers required for the building of the market. They replied that there was no want of labor or raw material; that their difficulty was chiefly financial. 'Oh,' said the Governor, 'if that is all you want, I will, as Governor, sign, stamp, declare legal tender, and issue five thousand one pound market notes. With these pay for material and wages. Go to work and build your market.' The market was commenced. The first effects were to animate trade by the additional circulation for payment for slates, bricks, etc., and to increase the customs of the shops by the expenditures of the workmen employed on the market. In process of time the market was finished, stall rents became due and were paid in these notes. When the notes all came in, the Governor collected them, and, at the head of a procession, with some little form and ceremony, he proceeded to the town cross and publicly burnt them by way of cancelment."

John G. Drew.
Elizabeth, N.J., *March* 30, 1874.

INTRODUCTORY.

* * * "I only speak right on;
I tell you that which you yourselves do know;
Point to sweet Caesar's wounds, poor, poor dumb mouths,
And bid them speak for me."

The writer of the following pages was educated as a merchant in that Delphos of financial and commercial wisdom, Boston; was nurtured in the lore of the oracles thereof; and if a year since the idea of a currency without a gold basis had been suggested to him, he would have thought it as big a blasphemy as his Puritan ancestors would have considered the suggestion of a universe without a God.

The report of the Controller of the Currency of December, 1872, showing the strikingly meagre amount of our currency, contrasted with that of other productive and commercial nations, arrested his attention; and as point after point of our empiricism developed themselves, he felt that the country was rapidly tending to suicide, and he knew not that one person existed sympathizing with his views.

On that point he was soon undeceived, and found that intelligences inferior to none had long preceded him; had classified facts; and for the first time in history a science of finance had been evolved.[**]

Will the reader please ascribe what good he may find in the following pages to the aid received from the published works of the following named gentlemen:

Hon. George Opdyke, author of a treatise on political economy;

Hon. William Buckingham, originator of the bill quoted within;

Wallace P. Groom, Esq., editor and publisher of the New York *Mercantile Journal*;

Pliny Freeman, Esq., originator of the first practical non-forfeiture plan of life insurance, which has saved millions of dollars for our American widows and orphans;

John Earl Williams, Esq., President of the Metropolitan Bank, New York City;

Hon. Alexander Campbell, who was one of the first, if not the first, to elaborate these problems;

William H. Winder, Esq., whose investigations of the money history and legislation of Great Britain from that memorable Sunday morning, February 23d, 1797, when the King, in council, ordered suspension of specie payments until June, 18th, 1815, when the nation prematurely resumed.

If aught of evil appears, let it be ascribed solely to the Author.

** Yes, what you just discovered had been written decades earlier, but not by the following gentlemen, but by William Gouge. The cause of the distress is not the silver standard but bank paper and the credit system.

Money---its Functions and Requirements.
Analysis of the Greenback.

The function of science is to note facts, and from them learn the principles which underlie them.

Tea-kettles had agitated their covers for ages before James Watt looked under the fact and discovered the laws, the application of which multiplied the material force of the human race indefinitely. Apples had dropped since the days of Adam, but it was reserved for Newton to learn the cause, and therefrom deduce the law which impels and restrains planets in their spheres, and gradually drops the autumn leaf and the snow-flake to their resting-places.

If such results have accrued from noting, sizzling tea-kettles and dropping apples, deducing causes and thence arguing to further results, is it not possible, with the chronicles of the past, and the living experience of the last twelve years to deduce a Science of money ? Let us try, beginning with the query---

What is Money ?

The Hon. George Opdyke, eminent as a banker and political economist, defines it as "an instrument of commerce designed to facilitate the exchange of all other commodities by presenting an equivalent in a portable and convenient shape." Now, let us try to learn the requirements for its most perfect usefulness.[$] We find them to be---

1. *Security*, that it may never fail of exchangeability for equal values.
2. *Uniformity* of value in every part of our country.

The above two characteristics inhere fully with our present currency. The following are lacking, and if they can be supplied we shall have a currency more perfect by far than any previously existing, and developing our industries and commerce in as great a ratio as steam has mechanics. We believe these defective points can be remedied, and a system evolved, the operation of which will be in accordance with known laws ---where science will take the place of empiricism; organization be substituted for spasmodic manipulation; acting as automatically as the governor of a steam engine. The qualities needed by our present currency are these:

3. *Stability*, that it may not be elevated or depressed by outside influences.
4. *Elasticity*, capable by its inherent power of adapting itself to any requirement. ---[but this is not a real requirement, ye just invented it, and present it as such]

$ there is no need for experts and scholars, the members of the first Congress of the united States very simply declared in the act of April 2, 1792, that Dollar is the Unit of Account, and it is 371¼ grains of pure silver in a coin. All we need is to change the number of grains to a round figure.

5. *Cheapness*, that the average cost of its use shall not exceed the average value of its service.

6. *Volume*, equal to any conceivable emergency.

7. *Convertibility* into such form as shall be perfectly safe, and subject to satisfactory conversion on demand.

I will now endeavor to show, in the order above quoted, some of the points where the deficiencies show themselves.

Lack of Stability and Elasticity.

The peculiarities of our climate and productive industries, especially farming, are more exacting to a given and fixed amount of currency than those of any other country. The heat of our summer is so intense that our cereals are in danger of damage in transportation, and if they were not, our farmers are too busy in their fields to prepare and cart them; many factories "only keep their hands along," and merchants and bankers take a holiday.[$]

The functions of money are suspended, and it lies inactive at three per cent. per year. September shows a change. The farmers have "laid away" ---that is, stopped cultivating their corn--- thresh out their oats and wheat, shell last year's corn, and push them toward the seaboard, gradually hurrying more and more as the advance of the season warns them of the approaching close of navigation, which will increase their cost of transportation, while bad roads will double the labor of hauling. Factories work into the night, and the same amount of money which caused a plethora in the summer, is found to be totally inadequate in the fall. Rich gamblers[**] see it, and not only make "corners" in stocks and merchandise, but also in currency; and this is the second consecutive year our country has lost millions of dollars in credit and cash, and been on the verge of bankruptcy for want of money to move the crops.

The lack of stability and elasticity is thus shown, as the same money which was neglected at three per cent per year in July, is in September inadequate to the demand, even when from twelve to three hundred per cent. per year is offered.

Hon. George S. Boutwell, ex-Secretary of the Treasury of the United States, said in his report of December 2d, 1872:

> "A degree of flexibility in the volume of currency is essential. * * * There is a necessity every autumn for moving the crops without delay from the South and West to the seaboard, that they may be in hand for export and consumption as wanted. This work should be done, in the main, before the lakes, rivers, and canals are closed, and yet it can not be done without the use of large amounts of currency.

$ You should have learned something from your recent history, during the war these exact same farmers were able to move their crops using cash on hand (coin in the West), without the good offices of bankers and their notes and bankbook entries.

** What do you propose to do about the 'rich gamblers' ?

"In the summer months funds accumulate at the centers, but the renewal of business in August and September gives employment for large sums, and leaves little or nothing for forwarding the crops in October and November.

"Nor would this difficulty be obviated by a permanent increase or a permanent reduction of the volume of currency. The difficulty is due to the natural order of things, and in creases with the prosperity of the country, as shown in the abundance of its harvests. * * * The problem is to find a way of increasing the currency for moving the crops[$] and diminishing it at once when that work is done."

We propose to solve Mr. Boutwell's problem before we get through.

Lack of Cheapness.

The yearly average increase of our property[**] is not far from three per cent. An average of higher rates argues a merging of the gains of productive industry into the reservoirs of the capitalists.

No argument is required to show that if the prevailing rates for the use of money continue with us to rule from two to five times those paid by our competitors across the water in ship-building and all other productions, no system of bonuses or tariffs can long sustain us.[$$]

Lack of Volume.

When the ship-builder designs a first-class steamer, he does not calculate on the minimum of strength, buoyancy, and engine-power required for the finest summer day, but imagines every circumstance of wind, sea, and lee shore, learns the possible maximum requirements, and adds to that somewhat for mistakes and flaws.

We perceive from the shakiness of our craft, in what would ordinarily be considered smooth water, that there is something radically amiss in construction, and on examining models and working plans, and comparing with others, discover some of the defects.

For instance, Mr. Knox, Controller of the Currency, in his last report, page 8, shows the entire circulation of the nation, December, 1872, on population of 1870, per head, $20,48. If we add 10 per cent to the population for growth in three years (which is right, as we double in thirty years), and deduct the bank reserves of October 3d, 1872, we find currency per head, $13.67. He quotes France, same page, per head, $25.05. He quotes the United

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$ In 1864, before the trans-continental railroad and other railroads were built, these crops were moved without any difficulty; people were out of debt, used cash-on-hand coins, and did not rely on banks and their credit..... Bankers and their mouthpieces weaved this touching tale about the lack and necessity of elasticity and shortage of credit, but never mentioned to their listeners that business used to be conducted without resorting to credit and india-rubber.

** In those days the yearly gold/silver production was $60million, that could have supplied the coin for population increase.

$$ Because a disorganized currency does more harm than a tariff can do good; yet supporters of tariff always supported measures that cause currency disorganization

Kingdom (England, Ireland, and Scotland) at $19.48. If we should throw out Ireland and Scotland, which have but little money, England would stand easily at $30.

As England is an old and finished country, and we are just building ours, as a nation we should have at least double her quota, or 30×2=$60. Again, as individuals requiring comforts for ourselves, and education for our children, that should again be doubled. This, mind you, is the maximum ---analogous to the outside estimate of the ship-builder for strength, buoyancy, and steam-power, to meet cyclones, ice-fields, and lee shores. One-eighth the amount would more than suffice us for January, February, June, and July, in ordinary years, gradually working up to one-quarter or one-half the amount in September, October, November, and December, leaving the balance for extraordinary emergencies.

Lack of Redeemability.

Practically, this lack has been more ideal than actual, as the greenbacks are legal tender, and all have been eager redeemers with all their personal and pecuniary resources; and from the moment of the demonetization of gold, and their taking its place as part of our currency, and the basis of the remainder, they have been fully as redeemable as gold ever was. But we propose to give them in the currency of the future a power which gold never had: the option of the holder to exchange the same at par for United States interest-bearing bonds ---for working of which see next chapter.

And now let us leave the unpleasant task of criticising the deficiencies of our greenback currency --- that efficient friend, which came to our rescue when all else seemed to have deserted us, and saved the Republic for us and for humanity. Let us learn how we can strengthen and assist it on its great mission, and send it on its way untrammeled by the weakness, the burdens, and the blunders of the past, reinvigorated, conquering and to conquer, until all the rough places shall be made smooth, and the wilderness blossom like the rose.

The Currency of the Future.

will be the theme of the next article of this series, and will appear in our next number.

Our Currency --- what it is and what it should be.

stability.

We have, as a people, demonstrated the possibility of a "church without a bishop, and a state without a king." We have also created a currency without a specie basis, and for eleven most trying years it has proved the best the world has ever seen.

Specie, panic-struck, hid or ran away the first year of the war. The greenback bridged the chasm, and when, on return of peace, every body anticipated a recurrence of the almost universal ruin which followed our other great wars, we moved on, to the astonishment of the world, "prospering** and to prosper."

It was a remarkable fact that while, at the close of the war, we moved on with steady steps, England and France reeled like drunken men.

The reason was the healthfulness of our currency, the strength of our money system; healthy because detached from that most feverish of all money elements, specie; strong, because based on the wealth of the nation --- its goodness could not be doubted. But in all this "we builded better than we knew."

When Mr. Chase, repulsed by the bullionists, issued his first $20,000,000 greenbacks, he apologized for so doing, putting in the plea of necessity; and from that time to this the history of our currency has been a series of temporary expedients, compulsory in inception, empyric and spasmodic in execution.

The child was born amid the sneers and curses of our enemies, and cold shoulders of our friends. If, with such a birth and nursing, it has in its youth been an angel of such goodness and strength, what may we not expect of its manhood, if cultured with better surroundings ?

In our last we demonstrated that the elements yet required to perfect our currency were stability, elasticity, cheapness, volume, and convertibility, indicating the diagnosis of the disease, and now we propose to discuss the mode of cure.

The contemporary of Luther learning religion only in an unknown tongue ---the Galileans taught only from the venerated Rabbis at the synagogues, or from the sanctimonious Pharisee at the street corners, had no more reason for surprise--- the one by sermons in his own vernacular, the other by the eloquent teachings of the trees and flowers --- than our readers have at the very simple prescription for all these ailments.

Let Congress pass a very simple, and, therefore, easily-understood law, providing for the issue of treasury notes (greenbacks) as legal tender for all purposes whatever, to the extent which the requirements of the country indicate, and make such legal tender reconvertible, at the option of the holders, into Treasury bonds bearing a rate of interest not much in excess of the average annual national increase of property ---say 3.65 per cent. per year.

This involves very little, if any, increase of the public debt, whether as represented in currency or bonds, as the old bonds would be retired about as

** There was prosperity in 1866, 1867, 1868 ? Gold and silver were not panic-struck, they did not run away, people put them in storage because they reasonably expected them to maintain their purchasing power, as opposed to bank paper and government paper which can be reasonably expected not to ---untrustworthy currency drives out the trusted one.

fast as the new ones would be issued, and a reservoir would thus be formed into which any surplus currency which might be afloat in a time of business inertia would gravitate as surely as the freshet seeks the ocean, and when the season of commercial activity again approaches, as certainly as the surplus waters of the spring-time are returned from the ocean by automatic action to vitalize vegetation, so would the life-current of the nation's money respond to the demand, again to retire to its resting-place when its work should be accomplished.

One of our ablest political economists (Wallace P. Groom) remarks:

> "In the interchangeability (at the option of the holder) of national paper money with Government bonds bearing a fixed rate of interest, there is a subtile principle that will regulate the movements of finance and commerce as accurately as the motion of the steam-engine is regulated by its governor. Such paper money tokens would be much nearer perfect measures of value than gold and silver ever have been or ever can be."

The volume of our currency would thus regulate itself and become elastic and redeemable. The constantly increasing burdens of the people in paying rates of interest disproportioned to production would exist no longer, and the Government would realize a large economy, as when the currency was out it would on that pay no interest, and when returned for redemption into 3.65 bonds, the rate in currency would be much less than it now is in gold.

The nearest approach we have recently made toward legislation on this matter is as follows:

On the 7th day of January, 1873, the Hon. William Alfred Buckingham (1804-1875, Ex-Governor of Connecticut, now U.S. Senator from that State) introduced a bill in the U.S. Senate, extracts from which we give below, which was read twice and ordered to be printed. It was called up three days after, and referred to the Committee on Finance, which, by its chairman, Mr. Sherman, reported it back on the 16th[$] with an amendment, striking out all after the enacting clause, and inserting matter of an entirely opposite and mischievous character. If my memory serves me correctly, it was then "laid on the table."

Perhaps it was necessary that the evidence of our spring's and autumn's history should accrue to give further emphasis to the words of eloquence, experience, and wisdom, with which the distinguished author supported his bill. We quote below such portion of the bill and remarks as are pertinent to our present subject matter (the parenthesis and italics are ours):

$ January 16 was a day before the "Act revising and amending the laws relative to the mints" demonetized silver. Two years earlier, Senator Buckingham voted with Sherman on the subject; for seigniorage on gold and for demonetization of silver. How will Buckingham vote on the renewed silver-demonetization bill on January 17 ?

Sec. 4. That it shall be the duty of the Secretary of the Treasury to issue bonds, as herein described, of denominations not less than one hundred dollars, and legal-tender notes in denominations not less than five dollars,

Sec. 3. That United States legal-tender notes, in sums of one thousand dollars and its multiple, shall, on demand by the holder thereof, be redeemed by the Treasurer of the United States, either with coin or with United States bonds, the principal of which shall be payable on demand in legal tender notes, and the interest on which shall be payable semi-annually, in coin, at the rate of three and sixty-five one hundredths per centum per annum, at the option of the Treasurer; and the principal of any United States bonds bearing interest payable in coin shall, on demand by the holder thereof, be paid by the Treasurer of the United States in legal-tender notes, and the interest in coin. All bonds issued under the provisions of this act shall be free from State and municipal taxation.

We quote extracts from the remarks on the bill by Mr. Buckingham.

"The industrial interests of the country require and demand a currency elastic, secure, and convertible into that which is of more value than the currency itself. A circulating medium that shall combine these three qualities would stimulate our energies, increase our commerce, and facilitate exchanges both foreign and domestic. It would also mitigate, if it did not wholly prevent, the pecuniary distress felt on every "black Friday" and in all departments of business during those periods of embarrassment when relief has been sought and heretofore secured by substituting the lesser evil of suspension of specie payments. In order to cure a disease it is important to understand its character, to know what remedies have been tried, and how far they have proved a failure or a success. To remedy our financial evils let us first inquire as briefly as possible into measures which have heretofore been adopted, and determine the effect which they have produced.

"The United States Bank, under the authority of Congress, furnished the country with a part of the circulating medium for a limited period. With that exception, bank notes have been issued by banks organized under State authority, but they have not maintained either one of the qualities named for any considerable length of time.

"The experience of more than three quarters of a century furnishes evidence that we have often exerted our energies until they have been nearly exhausted in order to maintain a system of specie payments which as yet has been only intermittent. Who is so credulous as to believe that our currency will be restricted even to its present volume against the clamor for an increase every time speculators lock up money, or so long as men embarrassed by such operations can influence the Government to exercise s doubtful power for their relief ?

"The internal commerce of the nation does not absolutely require specie resumption. That is desirable, but we can prosper without it. In looking over the country I notice its marvelous progress, and when I see that industry has been richly rewarded, and that nearly every branch of business has been productive of profit during the past five years, I am not so ready as I have been to curtail the currency by an arbitrary statute for the sake of deceiving the people with the old idea that banks can always maintain specie payments. They have not done it heretofore, for when the pressure came they were no more held by their obligations to redeem than was Samson held by the green withes of Delilah. Nor am I willing to wait in a state of inactivity for business to increase until it shall make coin and paper of equal value. I

would lay aside a theory which, in times of great commercial embarrassment, has furnished no relief, and try the more excellent and practical measure of redeeming circulation in United States bonds as well as in coin.

"The bill at first will cause a demand for bonds in exchange for legal tender notes, but when the time shall come that an increase of currency will be demanded for business purposes, the tide will change, and notes will be in demand for bonds. Bonds will be exchanged for notes, and notes for bonds. This interchangeability, taken in connection with free banking and central redemption, makes provision for an elastic currency — a necessity longfelt but never secured.

"The business of the country is never stationary, but is always contracting or expanding. When it contracts, bonds will be in demand; when it expands, currency will be in demand. Whenever it shall contract, a man may have a surplus of capital in his business for which he will seek a temporary investment. The bill offers him United States bonds bearing interest, and gives him the privilege of taking back his capital whenever he shall require it. The certainty of receiving it whenever demanded will make it for his interest to take and hold the bonds until his necessities for currency are greater than his necessities for interest. On the other hand, the business of the American people will vibrate toward the other extreme. Agricultural products must be moved, labor on unsold manufactures must be paid for, stocks of merchandise must be carried over a dull season, and cornering speculations must be prevented without depending upon adventitious aid from the Treasury Department, which, if rendered, will in the end prove to be unnatural, impolitic, and inadequate. This will require more currency. If the demand shall be so pressing that notes will be of more value than bonds, then men can obtain them according to their ability.

---[Neither Buckingham, nor Drew (nor Horace Greeley, the whig promoter of the 3.65 concept) looks to a future when there is no government debt, no government bonds.]

"Money is the power that moves the commerce of the nation. No Senate can determine the amount that will be required until it can determine the nature and the amount of business to be transacted. This bill does not propose to limit either the power or the business, but to adjust the amount of the one to the necessities of the other upon automatic principles, so as to make use of all that shall be necessary, and no more. It will act like the regulator of the throttle-valve attached to a steam-engine. When the load which the engine is to move is heavy, the valve opens and the steam presses upon the piston with sufficient force to carry it; when the load is lessened, the valve closes and the power is not wasted. So, when business increases, it will open the channels through which currency will flow so long as it shall be required, and, as business contracts, it will return to the vaults of your banks. The exchange of bonds for notes, or of notes for bonds, will cause no excitement and produce no panic or alarm, but will meet the ever-changing conditions and demands of business. * * * Bonds will, at times, be worth more than coin. Again, this increased demand for bonds will be for the home market, and save a large annual drainage of coin, which would otherwise go to pay interest abroad.

---[Drew is counting on that his readers will not read what Buckingham said in the Senate, and he is leaving out sentences that do not suit his construction.]

"The bill, if its provisions shall be carried out, will also establish our system of banking so firmly upon national obligations as to render the payment of the prin-

cipal unnecessary, and relieve the present generation of those heavy burdens of taxation which it has borne for years past.

"Mr. President, I am not an advocate for an inflated, irredeemable currency. It would overwhelm every industrial interest, and bury them in ruin. There should be no expansion without provision for positive redemption. I plead for an elastic currency, and as there is no reasonable prospect of obtaining such a currency convertible into coin within the senatorial life of any number of this body, I have introduced this bill, which in my judgment contains provisions that will bring the currency nearer to a specie basis than any measures which have yet been proposed. They are practicable measures, which, if incorporated into a public act, will increase the value of national securities, reduce the rate of interest thereon, and give us an **elastic currency** redeemable in that which will approximate the value of coin more closely and maintain that value more uniformly than any other securities. Try them. They will produce no disturbance and cause no alarm in financial and business circles, but their influence will be as imperceptible and yet as real as the morning light which ushers in the perfect day."

Let us see how this law would practically work in supplying the deficiencies of our present (greenback) currency, considering them in the order quoted above.[$]

Stability would be insured, as our currency, for the first time in our history, being entirely under our own control, and based solely on our own property and production, would be free from the "entangling alliances" of the past, which have hitherto, in matters of finance and commerce, bound us as firmly to the dictation of Europe as if the Declaration of Independence had never been proclaimed. This is, what it is intended to be, a startling statement, and if it is enough so to shy our leaders away from the deep ruts of the past, we shall be pleased.

Let us see if it is substantiated by proofs:

"The borrower is the servant of the lender," is a very old truism. Being a new country, with everything to construct, and too enterprising and **impatient**, as a people, **to wait** for the slow accretions of our own industries and gains in developing national and private undertakings, we have always been, are now more than ever, and for a long time must continue to be, a debtor nation.[**]

Gold ever has been, and we see no reason why it should not continue to be, the international regulator of exchanges between nations. While we

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$ Throughout their existence national currency banks kept $170million greenbacks in their vaults. They had to, the law chartering them stipulated that they must keep one United States note for every four of their own notes issued. The currency was $300million banknotes and $170million greenbacks.

** If you are not willing to work, earn, save first and spend afterwards, you always must be a debtor. What you are proposing is to fire up government-owned printing presses and issue into circulation un-earned credit notes, according to the wishes and desires of credit-enterprisers. "Turn all assets into credit, and all credit into currency" desired Nicholas Biddle. You obviously do not know that regardless of who inflates the credit bubble, the end result is the same --that is the nature of the credit system.

fully concede to it this international function, we do not admit that this concession gives any claim to mix in our internal money relations. The shore line is the division. Our legal tenders sustain our industries and float our crops to that line; beyond that all is international and subject to specie liquidation of balances.

Indeed, justice to our creditors, as well as ourselves, would indicate that the small amount of specie we hold in our own right should be devoted to that function.

Bullionists argue that gold is the world's currency, and, therefore, should be ours. This argument on their side is not worth a row of pins ---as, if it proves anything, it proves that we should accept monarchy, nobility, entail, and primogeniture, and other nuisances which, at much cost of brains, blood, and money, we have happily shaken off.

We freely accept, as above indicated, gold as an international regulator, but claim a distinctive currency for our domestic use, as fully and freely as we claim our other domestic institutions.

When, by reason of war, financial disturbance, or any one of a dozen causes, Europe, our creditor, wants what we owe her, and calls for it in gold, if our currency is based thereon, the foundation is withdrawn and the superstructure tumbles, as it has always tumbled heretofore, burying in its debris the savings and hopes of half a generation.

"He doth destroy mine house
Who doth destroy the prop which holds mine house."

With gold demonetized, this is just our position. Our citizens owe balances to their European creditors, variously estimated at from five hundred million to one thousand million dollars, payable on call. These balances will remain undisturbed just so long as our average rate of interest is very much higher than can be obtained in Europe (now from two to three times their rate), and no longer.

Should the rate with them (implying an increased demand for money) rise to our level, or should our rate (implying a more ample supply) fall to theirs, those balances would be called for; in either case with precisely the same results --to wit: an advance in the price of gold. What of it ?

Before the small amount --small, contrasted with our liabilities-- we hold could be drained, the augmented premium would have caused all kinds of exportable products and manufactures to be sought for, and bought at prices augmented nearly to the advance in gold --- much to the benefit of the nation. Who is hurt ?

Another beneficial result would appear. In exactly the same ratio as the gold premium acted as a bounty to our producers, it would act as a protective, or prohibitory tariff, on imports. Again, who is hurt ?

I am not sure but it would result in annihilating free-traders and tariff-men as such, gratifying the former by closing the custom-houses and

discharging the officials, and responding to the latter by an equivalent to a tariff, on a sliding scale, worked without cost, and also responding to all national requirements; thus not only developing all our industries to a hitherto unthought-of activity and extent, giving our commerce the area of the planet for a market, but purifying our political atmosphere from the tendency to corruption engendered by political patronage, which presses on all its surface and permeates every pore.

Our system designs no fraud on our foreign creditors, who are entitled to their dues when they want them ---in fact, it facilitates their realization.

We hold our gold (like all other merchandise and products) subject to the demands of our creditors, and, holding the same by so precarious a tenure, has it not always been rash to allow it to be the basis of our money, and especially so now, when our currency has stood more firmly than ever, subjected to almost the greatest supposable strain for a dozen years, based on the property and production of the nation ? Would it not now be insanity again to tangle all our material interests in what Washington called an "entangling foreign alliance" with Europe ?

Every banker knows the feverishness with which, in the former reign of King Bullion, European events were watched. If money was plenty on Threadneedle Street ---Bank of England rates three per cent. per year, street rates one-half per cent. less--- foreign creditors ordered their funds invested here; money plenty, discounts free, and "every thing lovely."

Then comes a European commotion. Germany or somebody else wants money. Gold goes out of the Bank of England. Interest advances there. Our foreign correspondents draw or order remittance; specie is shipped; discounts are shut off; loans on storage certificates and other collaterals are called in; merchandise sacrificed at half the cost of production; the year's savings of the merchant are gone in an hour.

This is but a flurry, which occurs twenty times where a panic does once. The flurry is distressful ---the panic is horrible. Grand old firms, with assets twenty times enough to meet their liabilities, are upset, smashing smaller fry as they tumble. Honorable merchants, who to pay the pound of flesh do not wait for Portia's ruling, but pay it, if all their heart's blood follow, so that their honor is saved. Daily and hourly destruction of life by the intensest torture. Wealth destroyed more rapidly than in war. Banks sympathizing, but do no more, for at that crisis to afford relief would be their own legal destruction. Cities telegraphing, watching, listening to cities, hoping, trusting, praying that their neighbors would be the first to sunder the chain which is strangling the nation; and when the word flashes from Albany that our metropolitan banks may clear their necks from the murderous halter and suspend, in an instant, simultaneously, New York and Boston ---with a heartfelt Thank God !--- breathe.

But at what a cost the accumulation of a decade gone in an hour ---and, with many, the last productive decade on earth, and, oh, their widows and orphans !

Did such disastrous results, worse than sinking a navy, occur on any coast, millions, if necessary, would be expended for beacons to warn the sailors. Did they result from physical malaria, not a Grand Jury in Christendom but would indict the cause as a nuisance. But we, with an infatuation more criminal than that of the worshipers of Juggernaut, consider these things as inevitable decrees of nature.[$]

And, in a sense, so they are, as was the plague of London, and more recent visitation of the cholera, decrees of nature until the causes were removed, when the disease disappeared with it.

Men and brethren! why will you not apply the same tests of analysis and synthesis to the nation's life-blood which you do to a hen cholera or a potato rot ?

We have above more facts to form a science on than Newton's apple or Watt's tea-kettle afforded. The cause of the disastrous panics which have before the war so often prostrated our country, are directly traced to specie affiliation; this is proved by the removal of the cause, which has always been followed by disappearance of the symptoms.[**]

This inference is further sustained by the fact that since our currency has been partially sundered from this feverish element, such deplorable phenomena have disappeared, and we have found our circulation healthy in just the same ratio as we have refrained from that disturbing cause.

From the above we may deduce this axiom: As long as America bases her currency wholly or in part upon specie, Americans live financially on European sufferance.

In this connection we quote Mr. Charles Sears, one of our best political economists:

> "Independently of circumstances and on its merits, the 'Specie Basis' hypothesis is the most disorganizing element that ever obtained place in society, and its ghostly presentments ought to be laid without benefit of clergy whenever they show in daylight.
>
> "On this hypothesis our monetary, industrial, and commercial system constitute a huge pyramid or cone standing upon its apex. Forty billions of property resting upon six billions of current production, which rests for its value upon say seven hundred

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$ But the cause of it is not coin, the cause is the credit system. If banks paid out coin alone, they wouldn't have to redeem their notes, wouldn't have to suspend payment of their promises. If bankers are allowed to do with government-issued notes what they are allowed to do with coins, the end-result will be the same. If international traders are allowed to take money out of a country, the "balance" will cause the same problem. Under Napoleon silver coins were used, and traders had to be real traders and were only allowed to take goods out of the country.

** This is simply not true, and you must know it. The money panics were caused by the hundreds of banks and their millions of notes, and the credit bubble they generated. When the bubble burst, disaster ensued. The fact is: paper notes caused the panics not silver coins.

millions of currency, which in turn for its value rests upon two hundred and fifty millions of specie, which, so far as our possession of it is concerned, depends upon the interest and the good-will of our rivals in industry and haters of our political system.

"The precious metals, being limited in quantity, are insufficient to meet the demand for money to effect exchanges, and the quantity is supplemented by the fiction of paper money payable three or four dollars for one in coin. Here is an artificial limit to production and exchange. Coin being limited, bank notes on the specie basis must necessarily be so, even if the legitimate demand for money in production and exchange be, as it usually is, three or four times greater than the sum of coin and bank notes. At this point a system of extended credits intervenes, and private obligations supplement the bank notes; so that, upon the day of liquidation, the balances would amount to ten, twenty, or fifty times the amount of coin.

"Of course on this system all people in all times have been insolvent. Production and trade have been carried on upon sufferance. So long as confidence continued unimpaired, the movements of property were kept up, but the exigencies of war, of local trade, of the stock and money speculators (the real money being limited in quantity invites speculation), the natural tendency of the system itself requiring periodical settlements, demonstrate the general insolvency. Within the last fifty years payday has come quite regularly at the end of every ten years. Something ---any one of a dozen or twenty causes, few know what--- sets gold flowing out. Fifty millions withdrawn in a short time from their usual places of deposit is quite sufficient to make the whole volume of coin disappear from ordinary commercial circulation as completely as if it never existed. The 'Metallic Basis' is gone, slipped out; the pivot of the system is dislocated; somebody wanted it and took it; and the pyramid tumbles down, burying in its ruins three-fourths of a business generation.[$] The creditor class does not even now get specie payment of balances from the debtors, but such property as may be in possession, or a list of uncollectable credits. Nor does specie enter into ordinary commercial liquidations to much extent at any time. In the immense volume of our exchanges, specie payments do not enter to the extent of one-tenth of one per cent.; the pretense of specie payments, therefore, is a false pretense, not innocent by any means, but a ruinous falsehood; which, together with the limited volume of currency incident to the system and the consequent high rate of interest, is rapidly concentrating in the hands of a small class, those who control gold, who 'traffic in the revenues of Empire,' the surplus earnings of the nation.

"For a dozen years past we have enjoyed immunity from these commercial cataclysms, although during this period we carried on a devastating war, and our activities were suddenly arrested and changed into new directions, incident to the close of the war. Such immunity has been due to two causes:

"First, to the fact that we cast out from our monetary system the lying pretense of specie payments.

$ You are blaming the coin at the bottom of this inverted pyramid, and not the credit pyramid built up on this coin, and you are certainly not blaming those who built up this credit pyramid and those "who traffic in the revenues.' (paid or unpaid propagators of what the bankers want to be propagated)

The bankers want to get rid of silver and gold, they want to use bank assets as the basis of note issue and circulation.

"Second, to the larger volume of currency in circulation, enabling us to make exchanges with facility, and also to make **cash settlements** more largely than ever before, and so eliminating one element of bankruptcy from our dealings, namely, credit. Truth in our monetary system, and a larger volume of currency, saved us.

"The laws governing the production and exchange of property necessarily inhere in its representative, therefore the measure of monetary issue should be freely responsive to the demand for it in production and exchange. There would be the same propriety in restricting production and exchange by law that there is in restricting by law the issue of the money required for production and exchange, provided always that money represent property, and not person or credit. Money is the currency which floats property, by its title, from hand to hand, as water is a current to float property from place to place; and there would be the same wisdom in restricting the supply of water in our canals to one-third or other proportions of their capacity, as there is restricting the volume of our currency to one-third or other proportion of the volume required to make exchanges. In either case property perishes by detention in transit.

"To establish and maintain a just balance, a working equilibrium between property and money, is a financial problem which, perhaps, only the people of the United States can solve. The opportunity has come, and the method has been indicated, namely, by a Government issue of bonds bearing a low rate of interest, which rate shall not much exceed the average annual increase of property and bond certificates; the bonds and bond certificates to be mutually convertible, at the option of the holder.

"These bonds to replace the existing bonds as rapidly as the conversion can be made. They would still represent the public debt, but they also represent part of the cost of our civilization; they stand for a certain value, namely, our institutions, laws, usages; and for the present are a suitable basis of currency issue. They would constitute the reservoir into which any surplus currency would speedily flow whenever the volume afloat should rise above the industrial demand. These bond certificates, together with coin certificates and coin, would provide a currency adequate to all our monetary want. * * *

"Whenever we get out of debt, and have no further occasion to issue bonds, property certificates, based on current production, may replace the certificates issued on the bonds, and the current expenses of Government be paid from interest on loans. That is to say, the people, collectively, would loan their own money to themselves in their private capacity, and provide a currency at so low a rate of interest that our resources may be freely developed without artificial restriction, and Government be maintained without other taxation than the small interest representing part of the annual increase of property.

"Every step of change henceforth should contemplate a forward movement toward a popular monetary system, corresponding with our popular political and religious system, and not in any measure tending backward to the financial scheme of past ages, generated of and in accord with, despotic institutions and caste society, and which has been for our industries a system of organized destruction.

"Let us have a people's money, and abolish credit in exchanges."

In future numbers we shall treat on the elasticity, cheapness, volume, and convertibility of our proposed system.

The Currency of the Future.

ELASTICITY, VOLUME, CONVERTIBILITY, AND CHEAPNESS.

IN the first article of this series (to which, in this connection, we refer our readers) we quoted largely from the able speech of Mr. Buckingham, in the United States Senate, January 7th, 1873, (Bill 1313) and from Mr. Boutwell's, Secretary of the Treasury, report of December, 1872, arraigning the currency for its lack of **elasticity**.**

Thursday, January 16, 1873.

> Mr. Buckingham asked and, by unanimous consent, obtained leave to bring in the following bill; which was read twice and ordered to be printed. A Bill Supplementary to an act entitled "An act to provide a national currency secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof," approved June third, eighteen hundred and sixty-four, and to secure an **elastic currency**, to appreciate national obligations, and to reach specie payments without commercial embarrassment.

The extract from Mr. Boutwell's report closed thus: "The problem is to find a way of increasing the currency for moving the crops and diminishing it at once when that work is done."

Our response is: Let Congress pass a very simple, and, therefore, easily-understood law, providing for the issue of treasury notes (greenbacks) as legal tender for all purposes what ever, to the extent which the requirements of the country indicate, and make such legal tender reconvertible, at the option of the holders, into Treasury bonds bearing a rate of interest not much in excess of the average annual national increase of property ---say 3.65 per cent. per year.

> "In the interchangeability (at the option of the holder) of national paper money with Government bonds bearing a fired rate of interest, there is a subtile principle that will regulate the movements of finance and commerce as accurately as the motion of the steam-engine is regulated by its 'governor.' Such paper money tokens would be much nearer perfect measures of value than gold and silver ever have been or ever can be."

Our readers should impress the above firmly in their minds, as there is more financial science contained therein in its adaptability to our present

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** *elasticity*, the bankers' catch-phrase for india-rubber banknote issue --- to expand and to contract the note-bubble and the credit bubble according to the wishes and desires of bankers. Mr. Drew did not wake up to this fact --- a granger, a pamphleteer, a reformator, yet he does not understand what he is parroting.

In the 1850s the fathers of these farmers conducted their business and moved their crops on cash basis, using coins, they had no desire to resort to the bankers' india-rubber credit. Mr. Drew should have learned something from historical example which demonstrated that cash basis is a lot better method to move crops, debtfree-ness is a lot better for farmers, than the good-offices of bankers. In the 1850s the government paid out and received only gold and silver, and treasury notes of which there were only $30million, yet everything went well.

Mr. Drew should have noticed that bankers asked and advocated for elastic currency. He should have read what Sherman had to say on the subject.

national need, than in all the volumes of political economy ever before written. Horace Greeley, in a characteristic editorial of the *Tribune*, Nov. 9, 1871, said:

> "The benefits of this system would be these: Our greenbacks, which are now virtual falsehoods, would be truths. The Government would pay them on demand in bonds, as aforesaid, which is in substantial accordance with the plan on which the greenbacks were first authorized.
>
> "Our greenbacks, no longer false, but convertible at pleasure into bonds bearing a moderate gold interest and exchangeable as aforesaid, could not fail to appreciate steadily until they nearly reached the level of gold. Indeed, they would, unless issued too profusely, be really better than gold. Drawing a higher rate of interest than British consols, and convertible at pleasure, as these are not, they would in time obtain currency even in the Old World.
>
> "The trouble so inveterately borrowed by thousands with respect to 'over-issues,' 'redundant currency,' etc., would (or at least should) be hereby dispelled. If there were at any time an excess of currency, it would tend to precipitate itself into the bonds aforesaid. If there should ever be a scarcity of currency, bonds would be exchanged at the Treasury for greenbacks till the want was fully supplied. Black Fridays and the locking up of greenbacks would soon be numbered with lost arts and hobgoblin terrors.
>
> "Though the demand for these bonds might for months be moderate, their convenience and manifest utility would soon diffuse their popularity and stimulate an ever-widening demand for them. They would be a favorite investment with guardians and trustees, who should expect to be required to pay over the funds held by them at an early day, whether fixed or uncertain. They would say, 'Though I might invest or deposit these funds where they would command a higher interest, I choose to place them where I know they will be safe and at hand when called for.'
>
> "Ultimately, we believe they would become so popular that hundreds of millions of them would be absorbed at or very near the par of specie, and that with the proceeds an equal amount of our outstanding sixes might be redeemed and canceled, without advertising for loans or paying bankers to shin for us throughout Europe. The interest thus saved to our country would be an important item.
>
> "Such are the rude outlines of a plan which we did not originate, but which we heartily indorse. Why not give it a trial ? We should dearly like to inform Europe that, since she seems not to want any more of our bonds at five per cent., we have concluded to take the balance ourselves at 3½."

Some one has well remarked that the truest test of a scientific theory is in its power of prediction. Measured by that severe criterion, the verdict must be in our favor, for, while our opponents have been entirely bewildered by the phenomena of last fall, political economists of our school predicted them, and placed the predictions on record.[$]

An analysis of the foregoing programme shows a logical division into four parts, thus:

$ the real test, of course, is not theory, not prediction, but real life experience. Non-legal-tender treasury notes and silver coins would do much better, without a perpetual debt.

1st. Issue of Treasury notes (greenbacks) to the extent which the needs of the country indicate.

2d. Such notes to be legal tenders for all purposes.

3d. Such notes to be convertible, at the option of the holder, into Government bonds bearing a low rate of interest.

4th. Such bonds payable, principal and interest, in said currency notes on demand.

The first three have been spasmodically accepted at different times in part; sometimes under pressure of necessity; sometimes from vague aspirations for response to our need ---but never in combination.

The result has been like that of a four-horse balky team --- not only not pulling together, but a part laying on the breaching, while the rest pulled on the traces.

For instance, as to first requirement of ample currency, an eminent antagonist in the columns of the N.Y. *Times*, over the signature of "Knickerbocker," says:

> "By reference to the report (Secretary of the Treasury) of August 31, 1865, it will be found that the circulating medium consisted of United States Notes, Greenbacks, and Fractional Currency ... $459,505,311.51. National Bank Notes and State Bank issues, (Report 1865,) by Comptroller's Report, Oct. 1, 1865. .... 250,189,478.00. Total .... $709,694,789.51.
>
> "To this amount must be added the sum of five per cent. legal tender notes, and of certificates of indebtedness, etc., shown to have amounted to $443,220.103.16; in all, a sum of $1,152,914,892.67. This, then, was the circulating medium of the country at the time of its greatest expansion. * * *
>
> "The Treasury statement of July, 1868, shows to what extent the circulating medium had been then contracted. It then consisted of United States Notes, Greenbacks, and Fractional Currency .... $388,768,674.75. National Bank Notes outstanding 1st November 1867 .... 299,103,996.00. Total .... $687,872,670.75. To which we add the sum of temporary loan certificates and other notes serving the purposes of currency, amounting to $92,687,442.64, and the sum of circulating medium will be found to have then reached $780,560,113.39, and shows a contraction by the Secretary of $372,354,779.28 in its total amount. * * *
>
> "The country at large had felt the pressure of the screw, but had not been able to discern precisely from what quarter the pinch came, the contraction being confined to those outside forms of Treasury obligations which, though not currency in the strict acceptation of the word, were still used as such in the larger transactions of trade and financial exchange. When, in a time of general pressure, the currency itself became the subject of the pruning knife, the country not only felt the knife, but saw how it was handled and refused to submit longer to the 'heroic treatment.'"

"Knickerbocker's" figures, quoted above, take us to July, 1868, when, as the "people felt the knife, saw how it was handled, and refused to submit longer to the heroic treatment," the contraction of the cast-iron currency was stopped, and the people allowed to "grow up to it."

Five years have passed, and as we double in population in thirty years, it follows that we are one-sixth larger in 1873 than when we groaned so awfully in 1868. This one-sixth growth, with the same volume of currency, amounts practically to a contraction of one-sixth of the aggregate of 1868, and now we have but $13.68 currency per head (including $40,000,000 in gold quoted by the Comptroller of the Currency as "in circulation"), which is about one-half the average of France, one-third of England, and 2½ per cent. of that quoted by "Knickerbocker" as existing at the close of the war.

No wonder that our industries are paralyzed, and our crops stuck in transit for lack of currency to move them.

With the foregoing figures --taken, mind you, from the compilation of our antagonists-- before us on one hand, and *Hunt's Year-Book*, and other statistical authorities, on the other, let us see how this resulted.

The mercantile failures in the Northern States, from 1862 to 1870, inclusive, which we copy from *Hunt's Magazine and Year-Book* for 1870, were:

Year.	Failures.	Liabilities
1862	1,652	$23,049,000
1863	495	7,899,000
1864	520	8,579,000
1865	530	17,625,000
1866	632	47,333,000
1867	2,386	86,218,000
1868	2,197	57,275,000
1869	2,411	65,246,000
1870	3,160	79,697,000

We supplement the foregoing table with the following (for the whole nation), of commercial failures for 1870, '71, '72, and '73.

Year.	Failures.	Liabilities.
1870	3.551	$88,242,000
1871	2,915	85,252,000
1872	4,069	121,056,000
1873	5,181	228,490,000

The failures of '73 are about 25 per cent. in excess of '72; but the aggregate is nearly double, showing that devastation is spreading among the loftier commercial and financial circles.

This computation does not include any losses not resulting in absolute failures, but it indicates beyond cavil that there were six-fold more of losses and disasters during each year of currency contraction than during each year of full currency.

It will be observed by comparison of dates of contraction with dates of failures that they kept pace in equal step. To effect these results ---as orderly and economical as the career of a mad bull in a crockery store: the Government.

1st Retired its certificates of indebtedness by borrowing gold from Europe at a high rate of interest and giving bonds, which, with exemption

from taxation, cost the people at least 10 per cent. currency interest, when the people themselves would gladly have taken currency, saving all gold premium and interest.[**]

2d. It created and continued the existence of about $400,000,000, bonds costing 10 per cent. interest as above, to enable it to withdraw and withhold $354,000,000 currency from the people for no other purpose than to retain said bonds as security for its indorsing the paper of holders of said bonds, for which indorsement said Government gets 1 per cent, per year interest, and calls it tax, while the people would have been much better pleased to have retained their own paper and saved the bond interest. In short, in this transaction the people, collectively, through their agents, borrow money at 10 per cent., and loan it again at 1 per cent to the bond-holders, who re-loan it to the individual people at 7 percent to 50 per cent. per year.

3d. With plenty of bonds outstanding costing, as above, 10 per cent. interest, it called in and paid off all its 3 per cent. indebtedness.

4th. It then attempted to absorb the remainder of the life-blood currency of the people at the rate of $4,000,000 per month, and actually progressed eleven months in the nefarious work when (to quote our antagonist again) "the people not only felt the knife, but saw how it was handled, and refused to submit longer to the heroic treatment[$]."

Like John Le Pean, they "could eat caterpillars, but squash-bugs were a little too fat."

When Jim Fisk and other geniuses stole the Erie Railroad, the splendor of the villainy so dazzled the world that for the moment men forgot to call it stealing.

A deep conviction is fast gaining ground that, emboldened by that operation, his old fellow workers, with other conspirators on both sides of the Atlantic ---some Jews, others bad Christians--- have a deep-laid plot to so reduce the values of the nation that a ring of a thousand men can gobble them all up.

Most certainly, if such is their plan, the past action and present lethargy of our legislative and executive departments play well into their hands.

We have endeavored to show that at one time the first requirement of the currency of the future, to wit: adequacy to wants of the country existed, and during its existence we enjoyed, notwithstanding the waste and ravages of war, an unparalleled prosperity, and by the highest statistics have also

** while in every one of those years $30millon worth of gold was shipped out of the country, to England !!!

$ This "mad bull" government "in a crockery store" and congress, was populated by the same people who brought you greenbacks and national currency banks, and now were occupied with reconstructing the united States along dictatorial lines, in the firm control the government in Washington. Southern senators and representatives would have opposed (and prevented) these financial measures, but were not allowed in Congress until the deed was done.

shown decadence in prosperity, coextensive with reduction of the currency, until we are now in an almost entire collapse; could show that the material loss to our country from the errors of legislation since the war has been greater than the money cost of the war, and do boldly affirm that, with the loss to our great industrial competitor of men by emigration, exhaustion of her iron and coal, our superior power of production of the great staples, iron, coal, cotton, wool, tobacco, naval stores, grain, petroleum, gold, silver, etc., and our better mechanics, if we avail ourselves of our own domestic money, under scientific regulation, at a cost not much beyond its earnings, in ten years we will have re-established our naval prestige; become the dominant manufacturing and naval, as we are the greatest agricultural, power in the world, and instead of the planet's exchanges centering in England, they will be with us.

The second requirement is that such notes shall be legal tenders for all purposes.

The present greenback is indorsed as "legal tender for all debts except duties on imports and interest on the public debt." Wipe out these exceptions. The gold received for duties on imports is only required to enable the Government to pay out the same for interest. Let it buy. Such will be the stimulus that this domestic, natural, self-sustaining, and self-regulating currency will give to all our production, that very soon the balance of trade will be in our favor, and gold easy at par.

England, with infinitely smaller resources and larger proportionate foreign liabilities than we, not able to furnish her quota of men for her continental wars, agreed to supply the deficiency in money, and did it ---boldly meeting the question, prohibiting the payment of specie and augmenting her currency. And such a currency like her consols (consolidated interminable annuities) utterly unredeemable, and therefore infinitely inferior to that proposed by us. But bad as that currency was, it did the work; her productions were stimulated; although heavily in debt to the foreigner, the balance of trade soon became largely in her favor. She received balances at her option in gold or her own outstanding obligations. She wisely took the latter, and now her creditors are mostly her own citizens, all civilization her debtors, with perennial balances flowing in from all quarters.

Since writing the above our attention has been called to an admirable article by W.H. Winder in the New York *Express*, from which we quote freely thus. Will the reader please remember that convertible in the extract means in gold.

In eminent illustration of the foregoing truths we may cite the case of Great Britain, a country in all of the natural elements of wealth inferior to the United States and some other countries, yet from being a heavily debtor country to the foreigner, she has become, by a wise fiscal policy, the wealthiest of countries, the creditor and the banker of the world, possessing the

largest foreign trade of any country. All countries are tributaries to this insignificant island, and made so only by her wiser fiscal policy.

Will not a similar fiscal policy to that which extricated from a large foreign debt, and has so immensely aggrandized Great Britain, with our vastly superior advantages extricate the United States from its foreign debt, and enrich her as it has enriched Great Britain by a "flourishing export trade," that sole specific for the extinction of foreign debt and accumulation of wealth ?

What was that fiscal policy which so surely and so speedily cleared Great Britain[**] from her debt to the foreigner, restored specie payment, and rendered it eminently to her interest to invite all countries to adopt free trade and specie payment ?

The Government of Great Britain promptly adopted the only policy by which her salvation could be secured; it prohibited the payment of specie, and made the bank notes money. The effect of this fiscal policy was two-fold:

1st. It secured a currency impregnable to the foreigner; it was not in his power to contract and expand at his will the volume of currency, convulsing trade and industry at every change. It is a fact of official record, the truth of which was verified by the Bullion Committee of Parliament, that no period of specie payment in England,[$] of similar duration as the paper currency, was so free from perturbations as was the era of paper currency; nor had there been a period of greater activity or equal production.

2d. The foreign creditor had but the two modes of an alternative to get home his funds from Great Britain: he could remit in gold or in commodities. The policy of Great Britain sought to render gold so dear and inaccessible to the foreigner, that he would find the commodities in the market cheaper than the gold in market, so that remittance in commodities would be preferable.

The inevitable result of this policy became immediately apparent in the excess of exports, diminishing on the one hand her imports (because by this fiscal policy the currency acted favorably for domestic commodities and against foreign commodities), and augmenting her exports (the same policy in the currency), compelling the foreign creditor to find it to his interest to remit in commodities. This demand, forced by the wise fiscal policy of Great Britain, for her commodities, gave full and profitable employment to her productive industries; it familiarized the markets of the world with the commodities of Great Britain, and it systematized and perfected her manu-

** England printed up paper money to finance a war against the man who wanted to free Europe from the tentacles of England and the London money power.

$ England was warring in behalf of these bankers, against the man who was a threat to these bankers and their credit-money system. You are idolizing the enemies of the united States and the people of the planet. Pitt was servant of those bullionists against whom you rail (or imagine that you do).

factures to a degree which rendered her the equal of any, and the superior to most, countries in the production of manufactured commodities. But in the very flow and current of the prosperity from this sagacious fiscal policy, there were then, as now, many crazy people obstreperously clamorous for "specie payment," who had scarce a glimmering of the true meaning of this term; ignorant of the fact that the policy then denounced was in strict harmony with the principles of "specie payment," Pitt and Addington successfully combated and exposed these delusions. They presented these truths with convincing force ---that so long as Great Britain was heavily in debt to "foreign parts," specie payment was a most transparent impossibility, a clear absurdity; because, the moment paper was convertible, the only person who would convert it, or who had any occasion to do so, was the foreign creditor; and as gold would be a better remittance for him at par. .....

---An Act supplementary to an Act entitled "An Act to authorize a National Loan, and for other Purposes."

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is hereby authorized to issue bonds of the United States, bearing interest at six per centum per annum, and payable at the pleasure of the United States after twenty years from date; and if any holder of Treasury notes, bearing interest at the rate of 7.30 per centum, which may be issued under the authority of the act to authorize a national loan and for other purposes, approved July 17th, 1861, shall desire to exchange the same for said bonds, the Secretary of the Treasury may, at any time before or at the maturity of said Treasury notes, issue to said holder, in payment thereof, an amount of said bonds equal to the amount which, at the time of such payment or exchange, may be due on said Treasury notes; but no such bonds shall be issued for a less sum than five hundred dollars, nor shall the whole amount of such bonds exceed the whole amount of Treasury notes bearing 7.30 per centum interest, issued under said act; and any part of the Treasury notes payable on demand, authorized by said act, may be made payable by the Assistant Treasurer at Saint Louis, or by the depositary at Cincinnati.

Sec. 2. *And be it further enacted*, That the Treasury notes issued under the provisions of the said act to authorize a national loan, and for other purposes, or of any other act now in force authorizing the issue of such notes, shall be signed by the Treasurer of the United States, or by some officer of the Treasury Department, designated by the Secretary of the Treasury, for said Treasurer, and countersigned by the Register of the Treasury, or by some officer of the Treasury Department, designated by the Secretary of the Treasury, for said Register, and no Treasury notes, issued under any act, shall require the seal of the Treasury Department.

Sec. 3. *And be it further enacted*, That so much of the act to which this is supplementary as limits the denomination of a portion of the Treasury notes authorized by said act at not less than ten dollars, be and is so modified as to authorize the Secretary of the Treasury to fix the denomination of said notes at not less than five dollars.

Sec. 4. *And be it further enacted*, That, in addition to the amount heretofore appropriated, the sum of one hundred thousand dollars, or so much thereof as may be necessary, be, and the same is hereby, appropriated, out of any money in the Treasury not otherwise appropriated, to pay such expenses, commissions, or compensation as may be necessary, in the judgment of the Secretary of the Treasury, to carry into execution the provisions of this act, and of the act to which this is supplementary.

Sec. 5. *And be it further enacted*, That the Treasury notes authorized by the act to which this is supplementary, of a less denomination than fifty dollars, payable on demand without interest, and not exceeding in amount the sum of fifty millions of dollars, shall be receivable in payment of public dues.

Sec. 6. *And be it further enacted*, That the provisions of the act entitled "An Act to provide for the better organization of the Treasury, and for the collection, safe-keeping, transfer, and disbursements of the public revenue," passed August 6, 1846, be and the same are hereby suspended, so far as to allow the Secretary of the Treasury to deposit any of the moneys obtained on any of the loans now authorized by law, to the credit of the Treasurer of the United States, in such solvent specie-paying banks as he may select; and the said moneys, so deposited, may be withdrawn from such deposit for deposit with the regular authorized depositaries, or for the payment of public dues,

or paid in redemption of the notes authorized to be issued under this act, or the act to which this is supplementary, payable on demand, as may seem expedient to, or be directed by, the Secretary of the Treasury.

Sec. 7. *And be it further enacted*, That the Secretary of the Treasury may sell or negotiate, for any portion of the loan provided for in the act to which this is supplementary, bonds payable not more than twenty years from date, and bearing interest not exceeding six per centum per annum, payable semi-annually, at any rate not less than the equivalent of par, for the bonds bearing seven per centum interest, authorized by said act.

Approved, August 5, 1861.

the
Bankers' Magazine
and
Statistical Register.

vol. xi. new series.
September, 1861.
no. 3, page 161.

The Government Loan of August, 1861.

The month of August has been marked by one of the most important financial negotiations of the present century. The banking institutions of three cities have agreed, in convention, and on one day, to take the new treasury loan to the extent of one hundred and fifty millions of dollars. There is no parallel of this in history; and it indicates strongly the prevailing conviction on the part of our merchants, bankers, bank stock holders and capitalists that they must stand by the government in its endeavors to re-establish the laws of the country upon a more permanent and solid foundation than previously existed.

If we are again to become and remain a united people, as contemplated by the constitution and laws which were framed alike by all the States, it will be obviously necessary to prevent a recurrence of the rebellion which is now in force; and to establish such principles as will hereafter be fully assented to by all parties and by all extremes of the Union. Congress having passed laws authorizing the issue of government bonds and treasury notes to the extent of two hundred and fifty millions of dollars, Secretary Chase, of the Treasury Department, had an interview with the representatives of the banks at New-York on the 10th August, and daily thereafter until the 16th, when the negotiations were fully completed, whereby he had a guarantee of the taking, by them, of one hundred and fifty millions of dollars of the new bonds and notes issued under the above act. The following is an official summary of the proceedings of the several interviews held by the banks with Mr. Chase on the 15th and 16th. The agreement entered into was as follows:

At a meeting of bank officers, held at the American Exchange Bank, on Thursday, August 15th, 1861, at which thirty-nine banks of this city were represented, the following plan for assisting the United States government was unanimously adopted ---the votes being taken by a call of names:

Section 1. An immediate issue to be made by the United States Treasury Department of treasury notes dated August 15, 1861, bearing interest from that date, at 7.30 per cent., to the extent of fifty millions dollars.

Sec. 2. The banks of New-York, Boston and Philadelphia associated, to take jointly this fifty millions at par, with the privilege of taking at par an additional fifty millions October 15th, by giving their decision to the department October 1st; and also at par fifty millions December 15th, by giving their decision December 1st, unless said amount shall have been previously subscribed as a

national loan. It being understood and agreed, that no other government stocks, bonds or treasury notes, (except treasury notes payable on demand, and the Oregon war loan,) shall be negotiated or paid out by the government until February 1st, 1862, should the associates avail of both privileges, or until December 15th, 1861, should they avail of the first only, or until October 15th, 1861, if they take but the present fifty millions, except that the government may negotiate in Europe or through subscriptions to the national loan.

Sec. 3. An appeal to the people for subscriptions to the national loan, to be made by the government, and as the subscriptions for the notes progress and the moneys are paid in, the same shall be paid over to the government or deposited with banks selected by the Secretary of the Treasury, with the concurrence of a committee of the associates; and so much of the proceeds of said loan as shall be required for the purpose, shall be applied in re-imbursement of the associates tor subscriptions by them paid in and not otherwise reimbursed. The treasury notes issued to the associates, so far as the New-York banks are concerned, shall be received by the Loan Committee of New-York banks at ninety per cent, as a basis for issuing clearing-house certificates to any bank desiring under the existing arrangement, (which must necessarily be continued,) and the subscription of the banks shall be in the proportion of capital, except that the interest and proportion of no one institution shall exceed one-tenth of the whole fifty millions of dollars.

Sec. 4. On the 1st of October, should the associates, for any cause, decide not to avail of the privilege of taking the second fifty millions, then the balance of notes remaining of the fifty millions already taken by them shall be apportioned and divided among them, (pro rata,) and they shall make payment for their respective proportions.

Sec. 5. Of the sums subscribed by the associates, ten per cent, shall be paid forthwith to the Assistant Treasurer at New-York, Boston or Philadelphia, and the residue shall be placed to the credit of the United States on the books of the banks subscribing. Certificates shall be issued to each subscriber, stating the amount so paid in and deposited; and as the deposits shall be withdrawn or paid into the treasury, (which shall be, as nearly as may be, in proportion of the several subscriptions.) Treasury notes bearing 7.30 interest shall be issued in equal amounts to the subscribers respectively. And when the deposits shall be entirely paid to the United States, treasury notes for ten per cent, originally paid shall also be issued, and all notes issued to such subscribers shall bear even date with the certificates, and carry interest from such date.

Sec. 6. In part payment of deposits for the first fifty million dollars, the Treasury Department will receive from the associates any past due treasury notes, or sixty day treasury notes. Should the second amount of fifty million dollars be taken by the associates the department will receive, on account of deposits, any treasury notes outstanding, except 7.30 per cent notes.

Sec. 7. The transaction on the part of the associates may be conducted by a committee in New-York, in which the banks of Boston and Philadelphia should be represented; which committee should meet daily for the direction of details, and at least weekly for deliberation and consideration of important business.

Sec. 8. In addition to the banks of New-York, Boston and Philadelphia, it would be desirable that other parties should become associate ---say trust companies, savings banks, insurance companies and private bankers--- who in lieu of *pro rata* of capital should designate, when joining the association, what amount of interest they decide to take.

SEC. 9. The capital of the banks of New-York, Boston and Philadelphia, and the respective proportions under a pro rata division would be as follows:

	Bank Capital	pro rata proportion of fifty millions
New-York	$70,000,000	$29,500,000
Boston	38,000,000	15,500,000
Philadelphia	12,000,000	5,000,000

It is proposed that the division should be, say to
New-York, $30,000,000
Boston 15,000,000
Philadelphia 5,000,000

New-York, August 15, 1861.

Proceedings of a Meeting of Bank Officers, held Thursday, August 15, 1861.

An adjourned meeting of bank officers was held August 15th, at the American Exchange Bank, at 11 o'clock, a.m., John Stevens, *esq*. of the Bank of Commerce, in the chair, and George Coe, of the American Exchange Bank, Secretary, when the following banks were represented, *viz.*:

Bank of New-York, Manhattan Company, Merchants' Bank, Mechanics' Bank, Union Bank, Bank of America, Phenix Bank, City Bank, Tradesmen's Bank, Merchants' Exchange Bank, National Bank, Butchers & Drovers' Bank, Mechanics and Traders' Bank, Bank State of New-York, American Exchange Bank, Bank of Commerce, Ocean Bank, Pacific Bank, Bank of the Republic, People's Bank, Bank of North America, Hanover Bank, Irving Bank, Metropolitan Bank, Saint Nicholas Bank, Shoe and Leather Bank, Continental Bank, Bank of Commonwealth, Oriental Bank, Marine Bank, Atlantic Bank, Importers and Traders' Bank, Park Bank, Mechanics' Banking Association, Grocers' Bank, East River Bank, Manufacturers and Merchants' Bank.

Thirty-seven banks at roll-call; subsequently the Citizens' Bank and the Market Bank were represented.

The following banks, members of the Clearing-House Association, were not represented, viz.: Fulton Bank, Chemical Bank, Greenwich Bank, Leather Manufacturers' Bank, Seventh Ward Bank, Broadway Bank, Mercantile Bank, Chatham Bank, Nassau Bank, Corn Exchange Bank and North River Bank. Eleven banks not represented.

The chairman called the attention of the meeting to the second section of the report of the committee, as amended but not adopted by the meeting of the preceding day. A full discussion of the section, as amended, followed, participated in by Messrs. J.E. Williams, W.A. Booth, Caleb Barstow, M.M. Freeman, Shepherd Knapp, Joseph Price, Thomas Tileston, James Punnett, James Gallatin, George S. Coe, J.A. Stevens, Messrs. Mercer and Patterson, of Philadelphia, and Gray, of Boston. During the discussion Mr. Punnett offered the following resolution, viz.:

Resolved, That it is the sense of this meeting that the Secretary of the Treasury should only resort to the issue of the treasury notes, payable on demand, as a very last resort, after all other modes of issue shall have been exhausted.

This resolution was afterwards withdrawn.

Mr. Gray, of Boston, presented the following plan for the consideration of the meeting, *viz.*:

The banks of New-York, Boston and Philadelphia, with such other banks as shall be associated with them, under regulations to be established by the banks in the three cities named, to take of the United States government a loan of one hundred and fifty millions of dollars. The whole amount of the loan to be placed at the credit of the United States on the books of the several banks, and to draw interest, at the rate of 7.30 per cent, per annum, from this date. The Secretary of the Treasury to draw the sums required from time to time, but not exceeding fifty millions in the aggregate before October 4th, 1861, nor exceeding an additional fifty millions in the aggregate before November 23d, 1861. *Provided*, That if the

committee of the associated banks give notice to the Secretary of the Treasury, on or before October 1st, 1861, that the associated banks desire not to take beyond fifty millions of said loan, the agreement is entirely at an end for any amount beyond fifty millions, in which case the banks shall have no claim for interest on any amount beyond fifty millions of the original subscription.

The second section of the report of the committee, as amended, was then adopted by a unanimous vote.

The third section of the report was then read. Mr. Barstow moved to amend the section by inserting "90 per cent" in place of "75 per cent." The amendment was adopted, twenty-three banks voting in the affirmative and nine banks in the negative.

Mr. Virmilye moved to strike out the words inclosed in brackets, at the close of the third section, as follows, viz.: "Except that the interest and proportion of no one institution shall exceed one-tenth of the whole."

After an explanation of the object proposed by the clause, made by Mr. Vail, the proposed amendment was withdrawn by Mr. Virmilye. Mr. Gallattin renewed the motion, which was seconded by Mr. Punnett.

Mr. John E. Williams, of the Metropolitan Bank, moved to add the words "fifty millions of dollars" to the clause after the words "one-tenth of the whole." Mr. Gallattin then withdrew his motion, and the amendment proposed by Mr. Williams was adopted.

Mr. Prick proposed the following, as a substitute for part of the third section, *viz.*:

Resolved, That the notes thus purchased, as received, shall be held in trust, by a committee appointed for that purpose, for the respective associated banks, in the proportion that the whole amount of notes bears to the amount of capital, and that they be empowered to dispose of the same, in sums to suit purchasers, for their par value and accrued interest to date of sale.

Resolved, That said committee shall apportion to each bank the amount required to meet the payment of each stated draft of the Secretary of the Treasury, after having deducted the par of such sales as shall have been made since the payment of the next preceding drafts of the Secretary, and that they deposit the accrued interest received to their own credit, the same to be apportioned monthly, after deducting the expenses properly pertaining to the discharge of their duties.

On motion, the proposed substitute was laid on the table. The third section, as amended, was then adopted by a unanimous vote.

The fourth section was read, and, without alteration, adopted unanimously.

On motion, the whole of the fifth section, as reported, was withdrawn by the chairman of the committee, and the following substituted, viz.:

Of the sums subscribed by the associates, ten per cent. shall be paid forthwith to the Assistant Treasurers at New-York, Boston or Philadelphia, and the residue shall be placed to the credit of the United States on the books of the bank subscribing, and certificates shall be issued to each subscriber, stating the amount so paid in and deposited; and as fast as the deposits shall be withdrawn or paid into the treasury, which shall be, as nearly as may be, in the proportion of the several subscriptions, treasury notes, bearing 7.30 per cent. interest, shall be

issued, in equal amounts, to the subscribers respectively; and when the deposits shall be entirely paid to the United States, treasury notes, for the ten per cent. originally paid, shall also be issued; and all notes issued to such subscribers shall bear even date with the certificates, and carry interest from such date.

The fifth section was then adopted unanimously, as were also, after reading, and a separate vote in each instance, the sixth, seventh and eighth sections.

The ninth and last section of the report was read, and the blanks filled as follows, viz.:

New-York	$30,000,000
Boston	15,000,000
Philadelphia	5,000,000

The section was then adopted unanimously.

The report of the committee, as amended, was then adopted unanimously on call of the ayes and nays, the following banks voting in the affirmative, viz.:

Bank of New-York, Manhattan Company, Merchants' Bank, Mechanics' Bank, Union Bank, Bank of America, Phenix Bank, City Bank, Tradesmen's Bank, Merchants' Exchange Bank, National Bank, Butchers and Drovers' Bank, Mechanics and Traders' Bank, Bank of the State of New-York, American Exchange Bank, Bank of Commerce, Ocean Bank, Pacific Bank, Bank of the Republic, People's Bank, Bank of North America, Hanover Bank, Irving Bank, Shoe and Leather Bank, Continental Bank, Oriental Bank, Atlantic Bank, Importers and Traders' Bank, Park Bank, Mechanics' Banking Association, East River Bank, Manufacturers and Merchants' Bank. Thirty-two banks voting aye, including all the banks represented.

The following banks, members of the Clearing-House Association, were not present at the call of the ayes and nays, viz.: Fulton Bank, Chemical Bank, Greenwich Bank, Leather Manufacturers' Bank, Seventh Ward Bank, Broadway Bank, Mercantile Bank, Chatham Bank, Metropolitan Bank, Citizens' Bank, Nassau Bank, Market Bank, Saint Nicholas Bank, Corn Exchange Bank, Bank of the Commonwealth, Marine Bank, Grocers' Bank, North River Bank. Eighteen banks not represented.

On motion, the following gentlemen were appointed a committee to wait upon the banks not represented at this meeting, viz.: Moses Taylor, Shepherd Knapp, W.A. Booth and C.P. Leverich.

Mr. Gallattin offered the following resolution, which was adopted unanimously:

Resolved, That the thanks of this meeting be presented to the gentlemen representing the banks of Boston and Philadelphia, for their prompt response to the invitation to unite with the banks of this city in the consideration of the very important subject which has now been acted upon, and for the valuable aid and assistance which they have rendered.

The resolution was responded to by Messrs. Mercer and Patterson, of Philadelphia, and Mr. Gray, of Boston.

Mr. R.W. Howes offered the following resolution, viz.:

Resolved, That the committee of the association, on behalf of the New-York banks, shall consist of seven persons, to be appointed by the chairman, with the advice and approval of the Secretary of the Treasury, and we recommend that the president of the Bank of Commerce be chairman of that committee.

Mr. Vermilye offered the following resolution, viz.:

Resolved, That copies of the plan this day adopted by the banks of New-York in aid of the government be sent to the banks of Boston and Philadelphia and their co-operation in the same be urgently solicited.

At the suggestion of Mr. W.A. Booth, that the chairman of the meeting invite the Secretary of the Treasury to be present and hear a report of the proceedings thus far in relation to the loan, a committee was appointed to wait upon him for that purpose.

After the action of the meeting had been stated to Mr. Chase by the chairman, that gentleman addressed the association, expressing his entire satisfaction at the result to which they had arrived, and his belief that it would tend to the greater prosperity of the banks and to the highest welfare of the nation.

On motion, it was

Resolved, That a committee be appointed to whom shall be referred the plan adopted, and the various suggestions in respect to details, who shall conform them to the existing arrangements for the exchanges between the associated banks.

The chairman appointed the following gentlemen as that committee, viz.:

James Gallatin, G.S. Coe, Henry F. Vail, Joseph Price and J. Punnett.

On motion of Mr. A.V. Stout, it was

Resolved, That the resolution offered by Mr. Price, and now lying on the table, be referred to the last appointed committee.

Mr. Moses Taylor offered the following resolution, viz.:

Resolved, That the thanks of this meeting are due and are cordially tendered to Hon. S.P. Chase, Secretary of the Treasury, for the patient, clear and forcible manner in which he has presented to us the financial condition of the government and the country, in the several interviews which he has held with us while in the city. That he has confirmed the confidence which we had before entertained in the wisdom, integrity and efficiency of the administration of his department of the government.

On motion of Mr. W.A. Booth, it was unanimously

Resolved, That this meeting, in assuming the grave responsibility of furnishing means to sustain the government in this important crisis, beg leave respectfully to express to the President of the United States its confident expectation that the government will, without respect to party or personal considerations, so conduct its affairs in every department of administration as to insure vigor, integrity, economy and efficiency, to the triumphant termination of the war.

A copy of the last resolution, signed by the chairman and secretary of this meeting, was directed to be sent to the President of the United States, after which the meeting adjourned to meet at twelve o'clock the following day, at the same place.

We learn that the Treasury Department will immediately begin the gradual issue and employment of United States notes of the convenient denominations of fives, tens and twenties, payable on demand in specie, on presentation at the branch offices of the treasury, designated in the corner of each note. We have already seen the specimen sheets of the notes made payable at the office of the Assistant Treasurer in New-York. They are now ready for use at Washington; taking the place of small gold coin at all points of government disbursement where these United States notes are equally valuable, as a medium of exchange on the great cities, and even preferable to gold. We believe it is no purpose of the government to force a large circulation of these notes. Their redemption in specie will be amply provided for at the specified points of payment, and the proportion which may be floated ---in other words, withheld as a circulating medium from immediate presentation--- will be left entirely to the degree of popularity which they may attain through the country.

Mr. Cisco, the Assistant Treasurer, undertakes the work of forwarding to Washington the offers of all parties, whether for small or large amounts, and arranges for all the necessary detail attending the transaction. It is probably not generally understood that the interest on the 7.30 notes is payable semi-annually, every 1st of January and July, and not at the time of redemption. Ample provision was made for its payment by the last Congress.

The order to engrave the United States Treasury notes, authorized by the act of July 17th, was received by the American Bank Note Company July 25th, and since that time from thirty to forty first-class artists have been engaged in preparing the plates for the printers. The work has so far progressed that we are enabled to give a general description of the notes to be forwarded to Washington for signature by persons appointed to sign them for the Register of the Treasury and the Secretary of the Treasury of the United States.

July 1861.
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The Bank Note Currency of the United States

The recent course of events in the States of Illinois, Wisconsin and Missouri has demonstrated, more strongly than ever, the insecurity of the bank note currency of those States and of other States where bank notes are issued upon the basis of State bonds.

The aggregate bank notes issued by the banks in the United States was reported last year as about two hundred and forty-eight millions of dollars, with a specie reserve of about forty per cent. of this sum. (See *Bankers' Magazine*, October, 1860, p. 258.) A large portion of this paper has been issued upon the basis of State bonds, which at all periods are fluctuating in their market values, and large portions of which, recently, have fallen to rates ranging from 34 to 50 cents per dollar.

The banks, generally, are not called upon by statute to maintain a specie reserve of any sum. It is left entirely at their option, in nearly all the States, to keep on hand, for the redemption of such paper, any sum they please, in gold or silver. The free banking system unfortunately creates inducements for an excessive issue of paper money, the profits from which, in good times, are large; and the community is thus encumbered with a currency rarely convertible into gold, on demand, at par.

The results of the recent depreciation of State bonds are shown in the failures of numerous banks in the States of Illinois and Wisconsin. Their paper no longer circulates among the people, and a heavy loss is thus entailed upon the holders, and also upon the stockholders of the banks, whose securities, in the shape of State bonds, are voluntarily or by compulsion thrown upon the market for sale.

This paper, indeed, should never have had a legal circulation. The State has unconstitutionally made this paper a circulating medium, and it has never been equivalent to par, or convertible into gold and silver, without loss, since the bank laws were passed. The constitutional provision that gold and silver only should be a legal tender is thus evaded; and although every man has the right to refuse such paper in payment of debts, yet the State, by its passage of bank and currency laws, in a measure forces this irredeemable paper upon the community. England and France, on the other hand, create a paper currency which answers all the ends of its creation, and gives unquestioned security to the holder of bank bills. The paper of the Bank of England is made a legal tender in England, thus giving ample security to the note holder as long as the government stands.

The bank paper of the several States is unfortunately based upon an unsound foundation. Instead of being issued to meet the legitimate wants of the community, in its ordinary exchanges, it has been created as a source of individual profit to the makers. This inducement to overissue should not be allowed to exist The community should not be exposed to the losses arising from the injudicious speculations and overtrading of those who have a sort of legal authority to create fictitious paper. We shall never have, in this country, a sound and convertible bank circulation until the government takes the control of the currency, deprives it of all source of individual profit, and stamps upon it the seal of government guarantee.

This is demanded by the ample experience of the past, and by the sound opinions of the most able of our public men and public writers. The constitution provides that "Congress only shall have power to coin money, regulate the value thereof, and of foreign coin," and that no State shall coin money, emit bills of credit, or make any thing but gold and silver coin a tender in payment of debts; yet the paper currency, issued in virtue of State laws, is, in fact, tantamount to bills of credit.

Mr. Nicholas Biddle, a banker of long experience, acknowledged in 1828, that, "the constant tendency of banks [of issue] is to lend too much, and to put too many notes in circulation."

Mr. Calhoun, as early as 1816, said: "We have in lieu of gold and silver a paper medium, unequally but generally depreciated, which affects the trade and industry of the nation; which paralyzes the national arm; which sullies the faith, both public and private, of the United States."

Mr. Francis Baring, of London, whose judgment is entitled to consideration, said: "I consider the opinion entertained by some, that the bank ought to regulate its issues by the public demand, as dangerous in the extreme."

Mr. J.K. McCulloch examined our paper system, concluding that it was "at present the most gigantic abuse by which an intelligent people ever permitted themselves to be disgraced and oppressed."

He further said: "The enacting of security [other than the precious metals] from the issuers of paper, would not obviate fluctuations in its amount and value, and could not, therefore, place the currency on a proper footing .... All local issues of paper money should be suppressed."

Mr. Van Buren, in his message of 1837, following the democratic expansion of the banking system, said: "The history of trade in the United States for the last three or four years affords the most convincing evidence that our present condition is chiefly to be attributed to over action in all the departments of business; an over action deriving, perhaps, its first impulses from antecedent causes, but stimulated to its destructive consequences by excessive issues of bank paper."

Mr. Nathan Appleton, of Boston, a forcible writer, said in 1857: "It is a tremendous power, that of increasing or diminishing the circulating medium of the whole country. It is a deep responsibility, and demands sound discretion and much wisdom in its regulation. Unfortunately there appears to be no unity of action, no controlling principle in the management of this power."

mr. theodore parker remarked in reference to the abuses of paper money: "We have tried to make that money which is no money .... We wonder that specie does not stay in the land; it is because we think paper money is just as good, and France and England do not. It rains gold, and we hold our dish bottom upwards ---of course it is empty."

We have before recorded the views of Mr. Wilson G. Hunt, whose views are sound, and who said: (*Bankers' Magazine*, 1858:) "We want something beyond the power of man to control; some system that is self-adjusting, with checks and balances that will not interfere with the reasonable profits of banking, secure to us a currency at all times redeemable in specie, without loss to the public ... What has been, may be expected to occur again; and as long as the present system be in existence, we shall be subjected to the calamities of 1837 and 1857."

Alexander Hamilton, in his financial writings, says, that "the emitting of paper money is wisely prohibited to the State governments."

Mr. Jefferson appreciated fully the losses resulting from paper money and said: "That paper money has some advantages, is admitted. But that its abuses also are inevitable, and, by breaking up the measure of value, makes a lottery of all private property, cannot be denied. Shall we ever be able to put a constitutional veto on it "

Mr. Madison, in his annual message of December 5, 1815, said: "It is essential to every modification of the finances that the benefits of an uniform national currency should be restored to the community."

Of the ability of the United States Treasury to manage a government currency, no one conversant with the practical details of that department entertains a doubt. It should be based upon the prospective resources of the country, and at all times convertible into coin.

MR. JOHN C. CALHOUN, in 1816, said: "There has been an extraordinary revolution in the currency of the country. By a sort of under current, THE POWER OF CONGRESS TO REGULATE THE MONEY OF THE COUNTRY has caved in, and upon its ruin has sprung up those institutions which now exercise the right of making money in and for the United States."

Mr. Tooke, the statistician, very properly urged that, "In every civilized country, supplying and regulating the circulating medium are functions of the sovereign prerogative."

The *Encyclopaedia Britannica*, in its article on *Paper Money*, says: "We must make an end of a plurality of issuers. If one body only were intrusted with the issue of notes, it would be able immediately to narrow the currency when bullion began to be exported, and to expand it when it began to be imported, and it would be easy for the legislature to lay down and enforce such regulations as would effectually prevent the fluctuations in the amount and value of the currency. * * * But nothing of the sort need be attempted so long as it is supplied by more than one source; and it will certainly happen in time to come, as it has invariably happened in time past, that some of them will be increasing their issues when they should be diminished, and diminishing them when they should be increasing."

The National Finances

Currency, Banking, &c.

by James Gallatin,

being a reply to a Speech in Congress,
by honourable Samuel Hooper.

New York:
Clayton & Medole, Book and Job printers,
Trinity Building, Thames Street.
1864.

The National Finances
New York, April 20, 1864.
Hon. Samuel Hooper, Member of Congress,
Washington, D.C.

---[Mr. Gallatin was the leading voice in that bankers' delegation that travelled to Washington in February 1862, to speak to the representatives of Congress at the Treasury department. As William Gouge had asked 30 years earlier "surely, it was not expected that bankers will not behave as bankers do ?" In 1862 Government and Congress indignantly rejected Mr. Gallatin's suggestion of selling bonds at the 75-cents on the dollar market price, claiming that it would dishonour the nation's credit; then they proceeded to degrade and dishonour that credit themselves, until their notes were selling in the market at 50-cents on the dollar.

"The government, adhering to the policy of selling its bonds only at par, was obliged to consider its paper as the par standard, and the next step was to issue of its own accord enough paper to 'float' the successive loans. This was equivalent to selling its credit at the market price, with the addition of voluntarily degrading its own standard of value. In order to protect the nation's credit from degradation in the hands of bankers and brokers, the government undertook to dishonor it of its own free will."

Why did they do that ? They did it because their purpose was something other than just financing the war; they wanted to establish a new banking system and this was the means to that end.
]

Sir.-- Having read, in the National Intelligencer, your speech, delivered in the House of Representatives, on the 6th instant, "on the necessity of regulating the currency of the country," I beg leave to call your attention to several errors therein, not only in regard to my own views, but also in regard to views which you yourself have expressed, as compared with those which you enunciated before your entrance upon the arena of party politics. But, before exposing these errors, it seems proper that I should, as I now do, protest against the species of attack which you have been pleased to make upon me in that speech. You have not quoted from my speeches or writings; you have given to the world certain charges against me upon mere hearsay, and unsupported by any authority; and you have attributed to me certain views and principles, without adducing any proof to support your assertions. You will, therefore, acknowledge the propriety of my protesting against your form of attack, under the circumstances in which the nation is now placed, for the sake of the public service. It is not my habit to notice personal attacks of this description, and I should have passed yours by, (as the idle ebullitions of a distempered brain,) were it not for the position to which you have been elevated, as a member of the Committee of Ways and Means of the House of Representatives. Having no personal object of pursuit, and no partizan projects to subserve, I will never lend my hand to perpetuate in their positions any set of men, who may prove themselves evidently inadequate to the difficulties and dangers of those positions; and amid the dangers of the present crisis, I cannot be intimidated from expressing the solemn convictions of my mind, that our imminent perils, as a people, can only be averted by the union of the most approved talents and the highest characters of the nation, the only test being fidelity to the Union and the Constitution. I would ask you, if it is right or just, that in the absence of all regular and authentic information, statements should be made in Congress, grounded solely upon misrepresentations, or upon such illicit and incorrect information as may be received from agents, seeking to obtain special legislation from Congress ?

You commenced your attack upon me, by asserting that "the Banks in the City of New York decided, in December, 1861, to suspend specie payments," by my "urgent advice;" and you repeated, that I "successfully urged the suspension of specie payments." This, certainly, is giving me credit for an influence or power which I was not conscious that I possessed; and you could not have ascribed it to me, had you reflected on the other assertion, which you made in the same speech, without giving your authority for it, that the Banks had overruled my views, (by reconsidering and negativing a vote which was carried by my advice,) against taking the seven-thirty loan; this assertion is, however, so far from the truth, that it must have originated in your own creative imagination. Now the fact is, that the Banks, by a vote of twenty-five to fifteen, (but not on my motion,) had resolved to suspend specie payments at the meeting you referred to, before I delivered the speech you alluded to in favor of suspension. And another fact is, that the following statement, quoted from your speech, as published in the National Intelligencer of April 7, 1864, is altogether a misrepsentation, and I appeal to the minutes of the meeting you refer to, in support of this contradiction of your assertions:

"At the time the loan was made in New York, on the seven three-tenth treasury notes, Mr. Gallatin opposed it at a meeting of the Bank managers, and insisted upon Congress being again called together to raise the rate of interest. After it had been voted not to take the seven three-tenth treasury notes, Mr. Chase and Mr. Stevens, the President of the Bank of Commerce, addressed the meeting, and the vote was reconsidered. It was finally arranged to take the treasury notes with interest at the rate of seven three-tenths.

Without the influence of the Bank of Commerce, that loan could not have been negotiated then. The action of that Bank has been at all times favorable to whatever the Secretary of the Treasury recommended, and it has rendered invaluable assistance in all the negotiations of the Department with the Banks."

The above is a fabrication from beginning to end.

It pains me to be compelled thus to deal with your statements, and to speak of them as I do; but it is due to truth; and to my own reputation. I freely and fully acquit you of any deliberate intention to do me wrong. I have no doubt you believed the statements made to you, in relation to myself, and that you published them in good faith, to expose what you must have considered my exceedingly bad conduct. You are pleased to say that I seem "to have gone mad," which was certainly a very charitable remark, but not very consistent with your previous assertion, that my "urgent advice" controlled all the banks of this city, unless you considered that all their managers had also gone mad with me. As to who has "gone mad," you or I, it will be for the reader to determine, when he shall have perused your speech, and compared it with the facts here stated in reply to it.

I take no pleasure in stating any thing that may be deemed adverse to the pretensions of the Bank of Commerce, but I must be allowed to say that that bank had no more patriotism, and no more ability to take her share of the loan, than any other of the united banks; for she had to be assisted to take her share of the loan by the union of all the banks, they all uniting, as a single body, to help each ether carry through the negotiation successfully; and I repeat it, that she could not have taken the share of the loan which she did take, if the other banks had not united to support her. For the truth of this assertion, I appeal to the facts existing and transpiring at the time the negotiation was matured and perfected. Your invidious reference to that bank is in striking harmony with the failure of the Secretary of the Treasury to acknowledge, in his Report of 1861, the service rendered by the banks of New York, Boston, and Philadelphia, in that dark hour of the country's history; and your attack upon the State banks, over and over again repeated in your speech, is very appropriately associated with the project in relation to their notes, the origin of which you attribute to Calhoun --the father of nullification and secession-- "to drive them out of existence."

As to the suspension of specie payments, at the close of December, 1861, you were probably not aware of the fact that the measure was forced upon us by the banking policy of the Secretary of the Treasury, and it was done to save the Government from the disgrace of suspending first ! In his report to Congress, in the early part of that month, the Secretary had boldly foreshadowed his plans for destroying the very banks which had aided, and were still aiding, him with means to defend the liberties and the unity of the nation. He contemplated fully, to use his own words, "the great transition" which would inevitably follow the adoption of his new system; but he wholly overlooked the fact, that the coin which he had dispersed throughout the country could not be restored in time to realize his hope of founding his new banking system, upon what he termed "an adequate provision of specie;" and he subsequently, in his speech at Indianapolis, published in the National Intelligencer of October 20, 1863, said: "I borrowed all the gold there was in the country. In this way I obtained about one hundred and seventy-five millions of dollars in gold." He scattered it in all directions, in defiance of the repeated remonstrances of the most experienced bank officers, who urged him to avail himself of that provision in the law, passed at the extra session in the summer of 1861, authorizing him to employ the banks as depositaries, and by drafts and checks upon them, to avoid that displacement of the coin which he

insisted upon. Had he used those checks and drafts, which serve as auxiliaries to the measure of value, and which are themselves cancelled or destroyed -- when they have performed their function of compensating services, or of exchanging commodities and property -- the measure of value itself would not have been dispersed, as it was, and specie payments could have been preserved. That is my firm conviction; and in proof of it I need only refer to (what you certainly know very well,) the extent of financial transactions that can be carried on, under specie payments, without moving any coin whatever. We were not in a foreign war. The contest was, and is, within our own territory. The Secretary at that time, (December, 1861,) was using his "Demand Notes;" and in dealing with him, in paying him for his loans, the banks paid him in these notes, or in coin. At times the banks held considerable amounts of these notes. I may say it was in the power of the Treasury Department and the united banks, so intimate were their relations at that time, to cause either to suspend specie payments, had there been a disposition so reprehensible as that on the part of either. No, there was no such disposition. Seeing the determination of the Secretary to disregard the ordinary forms of banking, and to supersede the existing banks with a new creation -- involving, as he said, a "great transition" in the financial policy of the whole country, and a general derangement of values -- unable to procure a national system of banking which they could reorganize under without going into liquidation -- the banks suspended payment themselves, rather than see the country disgraced by having the Treasury suspend first. And you know, as well as any living man, that the United States Treasury would have suspended specie payments long before the banks did, if the banks had not sacrificed all personal considerations by making the loans of 1861, and suspending first. Why, then -- for what purpose do you endeavor to hold up that act of suspension, and those who supported it, to public odium and reproach ? It is unworthy of you, and disgraceful to the excellent people of Massachusetts, who sent you to Congress !

The suspension of the Banks was delayed too long, in my judgment; for the act of suspension was a foregone conclusion, in the mind of every person conversant with financial affairs, from the moment the Secretary's declaration of war upon them was sent in to Congress, as it enunciated the entire overthrow of the financial systems of all the loyal States; and by delaying it to the close of the month, when he had drained the banks of a large portion of their coin, the risk of frightful panics in our large cities, incited by those enemies to the country, who subsequently fomented the calamitous riots in this city, was liable to be incurred at any moment; and I had experienced the full danger of this risk myself, in my humble efforts to allay the passions of excited congregations of the populace, around some of the newspaper offices. If I had had the power you ascribe to me, I would have had the banks suspend at the beginning, not at the close, of December, 1861.

I never asked, never expected, never proposed that the Secretary should "receive and circulate" the notes of the banks, although you state that this was the cause of what you are pleased to term my opposition to "the financial measures of the Government!" I urged him, and other bank officers urged him, to use checks, drafts and treasury notes the last-named to be of small as well as large denominations bearing interest, but not to be made a legal tender; so that those disastrous inflations of the currency, which you have sustained and helped bring upon us all, by your support of the legal tender issues, might be avoided. That "financial knowledge and experience" which you refer to as urging on the legal tender issues, are now receiving their dreadful practical illustrations in all our marts of trade and finance. You have quoted this in your speech, from your own book on currency or money:

"If paper money is ever useful to a country, it can only be in great emergencies; and it should be reserved as a resource to supply the means for the defence of the country, when other resources are exhausted. At such a time it may be used for the business transactions within the country, to release the coin from that service, so that it may be used by the Government in the exigency for the common welfare."

This you term the "key note" to all you "have ever said or written on currency;" but how is it that you advocated in Congress, at the early beginning of this "great emergency," that which you say "should be reserved as a resource," "when other resources are exhausted ?" If you meant to assert that our "other resources" were "exhausted" when the legal tender issues were enacted in excess by Congress, I can only say that I entertain a very much higher opinion of our resources than you do. But there is another "key note" in your book, which precedes that you have quoted in the speech. As you did not quote that, permit me to. It is on pages 86 and 87, viz.:

"So far as paper money can be substituted for it, [coined money,] the coined money becomes useless at home, and will be exported. The paper money that supplies its place, will be constantly fluctuating in amount, as the interest or convenience, the confidence or the fears, of those who issue it may dictate. It therefore affords an unstable and unjust standard, by which to measure the value of property. * * * * all transactions of trading would prove only a modified sort of lottery, in which the adventurers would be quite at the mercy of the managers."

Yes, that is what you have aided to bring upon us --"a modified sort of lottery"-- in the excessive issue of paper money; of which, in another part of your book, you say that it deprives "the mechanics and the laborers of their rightful share in the general prosperity of the country" by the high prices it creates, and in illustrating the effects of which, you refer to one of its victims who "died of a broken heart." If it can be said of any man that, in the words of your speech, "he knew the right, but still the wrong pursued," it may surely be said of one who could write a book depicting the horrors of paper money, and when he got to Congress, advocated and sustained excessive issues of it, at the beginning of a great emergency, although he explicitly declared that it should be reserved as a last resource, "when all other resources are exhausted." You say that I have "seemed sometimes to put the saddle on the wrong horse," but according to your own book, you have not "seemed to," but actually have, "put the cart before the horse," in helping to make paper money a first, instead of a last "resource."

And, now, because the banks use the currency which Congress made a legal tender -- because they take, and circulate, and deal in a measure of values thus created by the Government, and forced on them by law -- they are accused of adulterating the currency, and the cry of "taxation to drive them out of existence" is raised in Congress. Verily, this is a cry of "stop thief," by the very authors of the mischief, although you "put the saddle on the wrong horse," when you charge that cry upon the banks, for it is not they who create the legal tender measure of value, in excess, but you, by your enacting it -- in Congress. You make the law --the banks do not ! You cannot escape the responsibility. It stands forth, on the record. The banks in this city paid their notes in coin, dollar for dollar, until Congress, by enacting the paper legal tender, perpetuated the suspension of specie payments. Why not censure the people for dealing in, and using, the legal tenders ? It would be quite as rational, as to censure the banks, which are only dealers in money for the convenience of the people. Tax the issues of banks as you may, "drive them out of existence," as you say Calhoun --the author of nullification and secession-- proposed to do at one time, you will, in doing so, reduce the

volume of the currency only a fraction; because the great bulk of the circulating medium consists of Government legal tender notes. And your consistency with yourself is here strangely at fault; for while you propose to tax out of existence the paper money of the old banks, and refuse to advocate or favor the contraction of the issues of the Government, you advocate in the same breath the issue of three hundred millions of circulating notes by the new national banks. I have no objection to Government, if it will pay specie for its notes, taking the whole field of circulation to itself, because I have ever been opposed to paper money that does not represent coined money dollar for dollar, although you in your speech have asserted of me that before this war I "was one of the staunchest supporters of the system of bank notes for the currency of the country." I defy you to prove that I ever advocated any other measure of value than that provided for in the Constitution, being real money. Your views and mine, before you were elected to Congress as a partizan politician, were identical on that point, as I can prove by your writings as well as my own --both being, as we were accustomed to say, "hard-money men." But now, you say, one of us has "gone mad !" No doubt of it !

I am perfectly willing to have the Government furnish the whole of the paper circulating medium of the country upon a specie basis, if that will afford any great assistance in suppressing this most wicked rebellion; but the cry against the banks is so evidently unfair, so transparent a cloak to cover up the delays of Congress to provide the requisite taxation, so plain an excuse for the neglect of the Secretary to keep down his excessive issues by a rapid funding of them in the long loans, that I cannot permit it to pass without exposing it. And in order to expose it most clearly, it is only requisite to appeal to a few simple facts, in relation to the quantity of "lawful money," or measure of prices, in use now, as compared with what it was before the legal tender paper money was authorized by Congress, at the suggestion or request of the Secretary of the Treasury, in such enormous volumes. In 1861, the "lawful money," or measure of prices, consisted of coined money. The amount of that in use in the loyal States, and employed by the banks; did not quite reach one hundred millions; and it was supposed that about as much more was circulating in the hands of the people. Two hundred millions, it was supposed, was about the total amount of coined money -- lawful money, the measure of all prices of property and commodities -- in use by the people, the banks, and the Government, in the loyal States, before the suspension of specie payments, in 1861. This was the basis of all the prices of every kind of property. What is it now ? The Acts of Congress having made the paper issues a lawful money -- a "legal tender" these have taken the place of coin as a measure of prices, and the sum total now issued and in circulation is more than six hundred and fifty millions of dollars, including those bearing interest. Thus the quantity of "lawful money" has been increased from two hundred millions to more than six hundred and fifty millions. This is the "key-note" to the speculations, high prices and manias, bank expansions and inflations, which we all see and deplore. Who, then, is the adulterator ? Who caused the currency to be adulterated ? Who makes this "lawful money ?" Who refuses, or neglects, to lay taxes to call it in ? Who neglects to fund it in the long loans, and to thus call it in from active use and circulation ? Is it the people ? or the banks ? or Congress ? or the Secretary of the Treasury ?

These are plain questions, very easily answered. Every man can answer them for himself.

As to the project for the creation of new national banks, for the purpose of superseding those already in existence, under the plea that it was required to enable

the Secretary to work his department successfully, we have already seen how he treated the law authorizing him to employ the old banks in 1861; and the fact that this creation and employment of "pet banks" is inflating and adulterating the currency still more, is passed over by you in silence, while all your denunciations are hurled at the old banks ! It seems to have been a principle with you in that speech to denounce the old banks, individually and collectively, for you mix up twenty-five banks of different States in a table, prefacing the table with remarks upon the New York Banking Law, and mixing them all up in your comments upon that law, although only six of the twenty-five are in this State.

To disprove your charges of excessive issues of notes, made against the banks of the State of New York, reference need only be made to a table, recently compiled by Hon. H.H. Van Dyck, Superintendent of the Bank Department of the State, showing the capital of and the quantity of circulating notes authorized to be issued by all the banks in this State, from which it appears that the authorized circulation is now one million one hundred thousand dollars less than it was in 1854, and he says that on the 12th of last month, the whole amount of the notes in circulation, of all the banks in this State, was less than thirty millions of dollars, although the amount which they were authorized to issue was nearly forty-three millions.

As to the banks of this City, in evidence of their conservative management, and their efforts to do all we can for the government, I submit the following returns of the condition of one with which I am personally acquainted, of its condition on the 15th August, 1861, and on the 15th April, 1864:

	August 15, 1861.	April 15, 1864.
Loans and Discounts	$1,390,252.96	52,312.46
United States Stocks and Treasury Notes	553,250.00	2,324,300.00
New York State Stocks	92,067.50	85,000.00
Capital	1,500,000.00	1,500,000.00
Specie	996,591.23	414,116.39
Circulation	119,779.00	23,444.00

There is some limit to our bank circulation in this State, by the restriction as to the kind of security to be lodged. It is, however, true, that our New York system is not perfect, although the Secretary of the Treasury has appealed to it as his model for his new national plan. But the new National Law contains many of the worst features of that system, and omits some of the best. True, the total circulation of the national banks is limited to three hundred millions, but the capital may be made to reach nine hundred millions, without the use of any money whatever, as thus explained by yourself in your book:

"It is not necessary that any money should be paid by the subscribers to the capital stock of a new bank. Their subscriptions can be paid by checks drawn on the new bank; and the discounts made on the same day for the parties who have drawn the checks, being placed to their credit, will make the checks good."

If a new banking and financial scheme, like this now proposed, be indispensable to one administration's successful management of the Government, why may not another administration claim the same right to upset this system, and put under way another "great transition" in property and finance ? It was thus in some countries, in the middle ages, that "transitions" were made periodically, at the caprice of rulers, by seizing upon and adulterating the coined money, the Government confiscating the stocks of it wherever found, and paying for it in new coins bearing the same denominational "legal tender" value, but having very little of the intrinsic value, of the old

coins. This destruction of the standard of value is one of the most deplorable consequences of an adulteration of the currency, whether it be done by debasing the coin, or by issuing paper in excess.

Daniel Webster spoke, as you have quoted in your speech, of the robbery of the people by a depreciated paper currency; but you have remarked in your book that "individuals are often made rich by it;" and both these characteristics are, no doubt, more emphatically true of the excessive issues of "legal tender paper," such as you advocated and defend, than of any other paper currency, because its acceptance and use are compulsory upon all classes and conditions of the people. They cannot be compelled to take a depreciated bank note in payment of a debt, but the legal tender law compels them to take and use the issues which you voted for and sustain, no matter if the depreciation were so great that "a thousand dollars would no more than buy a breakfast."

You deplore the idea of withdrawing the excessive legal tender issues and funding them, because "the banks would issue so much more of their irredeemable paper;" but you forget that the banks would all break, or have to pay in specie, if there were not legal tender paper supplied to them by the Government issues; so that in your advocacy of the keeping up of the present issues of legal tender notes, you are, in fact, advocating the very means by which the banks would be enabled to make the excessive issues of their own notes ! And yet you pretend to blame the banks for making the issues that you furnish them the means of making ! Here are your own words:

"I would ask what other effect it could have, if the Government should now fund and retire its issues of legal tender notes, than to give greater opportunity to extend the issues of the banks ?"

Why, the "other effect," of course, would be to make the banks stop their excessive issues. It is on your excessive issues of legal tender that they are all making their issues, it is upon the excessive issues of the legal tender that you have authorized the new banks to base their three hundred millions of circulating notes; but of these three hundred millions, as adulteraters of the currency, you are silent as the grave ! If you desire to stop all this inflation, if you are really in earnest, your quickest way is to "now fund and retire" the excessive issues of legal tender. You now, doubtless, understand this question better than when you made your speech; and although no one of us is too old to learn, it is among the remarkable occurrences of this eventful time, that the truths of monetary science, which have been so often illustrated in the history of nations, are now being taught to those in charge of our affairs, at a fearful cost to the people. All experience, all advice, all appeals to the truths of science have been lost upon the Secretary of the Treasury and the majority of Congress; and you, a writer on finance, have been led away, by some extraordinary means, to violate your own cherished principles, blinding the eyes of a majority of your associates in Congress to the plainest practical facts of monetary science ! Having adulterated the currency and stimulated the banks with a plethora of the paper measure of prices, which by law you compelled them to take and use as money, you now denounce the banks for doing what you have compelled them to do, and cry out against them. A greater outrage than this was never perpetrated upon the common sense of mankind. Admitting that some of the banks are guilty of the outrageous expansion which you charge upon them, that does not lessen the enormity of the offence which you have committed, in compelling them by law to place themselves in that condition, with the compulsory paper issues that you sanctioned and defend.

Your reference to the state of the banks, during the war of 1812, is in exceedingly bad taste at this time, when the sorrowful memories of the Hartford Convention should not have been revived, by your reference to the depreciation of the currency in some parts of the country during that struggle. But, bad as the currency was during the war of 1812, the greatest discount upon it, for specie, never equalled the discount we have witnessed during this year, as well as last year, upon the legal tender paper of the Government; for the heaviest discount known during or after that war, occurred at Baltimore, in 1816, when the paper money was quoted, for a short time, at twenty-three per cent. discount. Government has now, by law of Congress, acknowledged in bargain and sale, that in its legal tender currency there is sixty-five per cent. premium for specie; and the Secretary of the Treasury was recently here, watching the business which was carried on at the Treasury Office, at this rate of depreciation, in exchanging gold for his paper money. As to the state of the country during that war, it cannot serve any good purpose at this time to follow out your suggestions. I am at a loss to account for your recurrence to such a melancholy period of disaffection at home during a foreign war; and I must say that you, from your associations, should have been the last man to call up reminiscences of the refusal of a great section of the country to assist the Government, and of the treasonable menaces to the Union, which occurred during that contest with a foreign power. If it be true that Calhoun at that time proposed that Government should issue legal tender paper money, you are perfectly welcome to make whatever capital you can, for the legal tender issues, out of a proposition then, you intimate, rejected by Congress --emanating from such a source-- the source of those terrible calamities which are now upon our unhappy country.*

It remains yet to be seen whether you in Congress will have the courage to lay the proper taxes for supporting the Government through this war; or whether you will imitate the action of Congress during the war of 1812, in refusing to provide adequate taxation for the support of the national credit. You have been pleased to charge upon me a wish "to see repeated in this war, whatever was done then;" but, certainly, so far, the action of Congress being proof, it is evident that you entertain that wish yourself, measures of taxation occupying a much smaller share of your attention, than measures for making the next administration, or manufacturing political capital for the Treasury Department out of new banks, under your personal engineering. Taxation for supporting the national credit seems to claim quite as small a share of your own attention, as if you sat in the Congress of 1813. Your evident solicitude for the present and future popularity of the Treasury Department, and your evident "wish" to place the whole wealth of the country under the personal supervision of that department, "seems to," or "may account," for your very extraordinary anxiety to crush out one class of banks --"to drive them out of existence"-- and to replace them with pantizan and political pet banks, which shall be so many "key notes" for the next Secretary of the Treasury to play at will, for whatever purpose, or to whatever tune, his fancy may dictate.

Your pretence that patriotism forbade the Secretary of the Treasury to employ the old banks to aid in conducting the Government business, lest they should, as you say, 'administer the Government,' is very clearly exposed by your solicitude for the creation of new banks to aid in transacting that business, or to 'administer the Government' hereafter. So, also, with the insinuation that you make against me, that I advocated his selling his bonds for the depreciated notes of the banks --this is not the fact, and I demand of you to prove it-- your inconsistency is proved by the fact, that

his and your new national bank notes cannot be exchanged for real money, even by your own law of Congress, at less than sixty-five per cent. premium for the coined money, at the Treasury counters. He is now issuing his ten-forty loan for the new national bank notes at that rate of depreciation. You cannot, or will not, understand that the old banks, here in New York, paid their notes in coined money until Government, by the act of Congress, which you defend, issued legal tender notes, and thus established suspension of specie payments by law.

But your attempt to give the Secretary of the Treasury the very doubtful credit of originating the Legal Tender Measure, is another evidence of your want of care in ascribing measures or suggestions to their proper authors. It is an established fact, that the idea of the Legal Tender originated with Mr. Erskine Hazard, of Philadelphia, as early as 1839; and he has stated in a pamphlet, which he published some months ago [*Thoughts of Currency and Finance*, Philadelphia, September 25, 1863.], that he communicated it to the Secretary, soon after Congress met in December, 1861.

In your book on "Currency or Money," you have condemned the attempt made in England to compel the accounts to be kept in legal tender paper by law. And you have also approved in that book of the course pursued by Russia, when the premium on real money became very high, of calling in the paper, at the rate of one hundred in coin for three hundred and fifty in paper. That I may not misrepresent you, I will give here what you say on these points:--

"The greatest mischief of a depreciation of a currency of paper money, whether it is redeemable on demand in specie or not, is that it is constantly varying in value, by changes in the amount of such money in circulation. This operates with great injustice and great injury to the community, though individuals are often made rich by it. Great injustice occurred towards the people in Russia, when the paper money circulating as currency there was allowed to depreciate to nearly one quarter of the value at which it was first issued. It then represented the silver rouble, equal to nearly eighty cents of our money. Not being convertible on demand in specie, it gradually diminished in value, as increased quantities of it were issued, until about four paper roubles were required in exchange for one of silver. It would have been equally unjust to have restored these paper roubles to their original value, after the public had become accustomed to their depreciation, and had based all their transactions for years upon that depreciated value. Being under the control of the government, after the general peace of Europe, in 1815, any further depreciation was prudently guarded against, by regulating the amount in circulation, and adapting it to a relative value with the silver coin, which was annually declared, and which, though varying slightly in different years, was usually about three and six-tenths of paper to one of silver. It continued thus, for many years, to supply the community with a currency of nearly uniform value. It has since been entirely withdrawn from circulation, and new paper, convertible into specie on demand, was issued in the place of it, of the same value as the silver coin of the country, at the rate of one for three and a half of the old paper roubles. The money of accounts was gradually and easily changed. The people had become accustomed to the difference of value between the old paper and the silver rouble. They were not required to believe that there was no difference, as was unwisely and ineffectually attempted in Great Britain, during, the suspension of specie payments. There it was made illegal to estimate in payments any difference between the coin and the paper money in circulation, although light guineas, which, being below the standard weight, were not a legal tender, often sold for more than thirty shillings of paper money."

Thus, (in 1855) spoke Samuel Hooper, the "Merchant of Boston," in his book on "Currency or Money." Here (in 1864) is what the Hon. Samuel Hooper, Member of Congress, says on the floor of the House:

"I would ask what other effect it could have if the Government should now fund and retire its issues of legal tender notes, than to give greater opportunity to extend the issues of the banks ? As the Government withdrew their legal tender notes, the banks would issue so much more of their irredeemable paper."

Does this mean that we must go on "until a breakfast costs a thousand dollars," or, until like the Russians, we have to accept "one for three and a half ?" for what "other effect it could have," if Government continues to refuse to "fund and retire its issues of legal tender notes," it is difficult to conjecture. But, as to destroying the old banks and their notes, let us now hear Hon. Samuel Hooper versus Hon. Samuel Hooper, he being the judge of what is best for their interest, like the highwayman, who demands the purse of the traveller, without any explanation, save only that it is to preserve the traveller's life:

"I have said that the National Banking System was not inimical to the interests of the State Banks, but that the object of this law was to offer every facility and inducement to the State Banks to come in and avail of its benefits, and be subject to its control." [Speech, April 6, 1864.]

"The circulation of any notes as money that are not sanctioned by the national law, must be prevented by the enforcement of some stringent enactment." [Speech, April 6, 1864.]

This is persuasion, with the prospect of a terrible punishment, if it fails. If they "come in," the law as it now stands, makes them associates of, and places them with those which may be very much on the footing of what you call "wild cat" banks. If they stay out, you again repeat, as a threat Calhoun's idea of "taxation to drive them out of existence," although you say the law is "not inimical to their interests."

Why did you not manfully declare your determination at once, regarding the State banks, as General Jackson did in substance, in the case of the United States Bank-- "it must be destroyed." He never could have intimated in the same speech that he wanted to drive the United States Bank "out of existence," by a law which was "not inimical" to its interests.

I am now compelled to expose one of your opinions, which has given me great uneasiness. I refer to what you have said in your book, as to the Russian paper roubles, the Government paying for them at the rate of one hundred in new roubles (payable in specie,) for three hundred and fifty of the old paper roubles; also, to what you have said of the British Government attempting to keep the paper money at par with real money; and, also, to what you have said of continental money as a substitute for "any scheme of taxation;" and, finally, to your opposition at this time to any withdrawal of the excessive legal tender issues of our own Government. It is very evident that so long as you can permit yourself to advocate and defend these excessive issues, the use of which is made compulsory upon the people and the banks, you contemplate them as that substitute for "a scheme of taxation," which you refer to in your book. The rebel chieftains have made their paper issues such a substitute, in a mode which I call absolute repudiation. And I consider that the practical application of your theory of keeping up the legal tender issues, and adding three hundred millions of new national bank notes, will bring us to that shameful end. That you could permit yourself to contemplate such a melancholy result, it was impossible for me to believe, until I had fully studied the "key notes" of your book and your speech.

You say:

"Failing to persuade the Secretary to adopt his recommendation, Mr. Gallatin seems to have gone mad upon the absurd idea that all payments of the Government should be in coin, and that the State banks should make a hard money war and administer the Government. I regret to notice that some members of this House seem to be affected with the same insane idea."

It was the Secretary's "insane idea," not mine, "to get coin enough and fast enough," to make his disbursements in 1861; and when he got, as he said, "all the gold there was in the country," having scattered it, he insisted "upon the absurd idea that all payments of the Government should be" in legal tenders, and you have sustained him in "the came insane idea," and insist upon keeping it up. As to the banks administering "the Government," our great offence "seems to have" been the adoption of the following resolution, immediately after we completed the arrangements for the loans, August 15th, 1861, and the sending of it to the President:

"*Resolved*, That this meeting, in assuming the grave responsibility of furnishing means to sustain the Government in this important crisis, beg leave respectfully to express to the President of the United States, its confident expectation that the Government will, without respect to party or personal considerations, so conduct its affairs in every department of administration, as to ensure vigor, integrity, economy, and efficiency to the triumphant termination of the war."

That was the crime --the passage of that resolution-- which "seems to have" called forth the edict "to drive them out of existence." You found no "party capital" in that resolution; nothing but the purest patriotism. It was all love of country. It was not in the interest of any clique. You could neither understand nor appreciate it; therefore you construed it into a monstrous attempt to "administer the Government," and this "insane idea" seems still to haunt you, and that numerous class of politicians which fattens upon the issues of the Treasury Department. You very well understand the nature of Government patronage, in times of war and paper money inflations. You have given in your book an account of the scenes witnessed in England, during the wars with Napoleon; for example, at pages 35, 36, and 37, you quote from some "writer" as follows:

"Enormous fortunes were made by contracts with the Government for the supply of stores and provisions."

"As the paper money swelled in amount, the prices and rates of every thing grew and rose apace; while the receivers of wages, the laborers, both agricultural and commercial, were gradually depressed, the rates of wages generally not keeping pace with the advance of prices."

"The cottage of the grandfather was sometimes sold to provide maintenance for the pauper grandchildren. And at the end of the war in 1815, little of this property of the industrious poor was left. During the time that enormous fortunes were being realized by the trading classes, those who do the labor of the country were gradually and silently being stripped of all hold upon the soil, which, were it not for them, would be worthless."

You add, in your own words:

"The quantity of paper money in circulation was constantly fluctuating, and at the same time the prices of gold "and of property of every kind."

Also, you say, on page 38:

"Laws had been passed prohibiting, under severe penalties, the taking of bank notes at less, or of coin at more, than their nominal value."

Then, on page 39, you depict the horrors of the revulsion that followed, thus:

"Distress and bankruptcy extended to every part of the country, and overwhelmed many of those who were with drawn from trade, as well as those who were engaged in the active pursuits of business. * * * * * Eighty-nine country banks became insolvent."

And, yet, possessing a knowledge of all these facts of history, you stood up in your place in Congress a few days ago, and advocated and defended the issues of legal tender paper money, that most powerful engine for inflating the currency, and creating wild manias of speculation. Nay, more than this, you advocated the creation

of a new set of banks, with the power to issue 300 millions of paper money, and to add 900 millions to the banking capital of the loyal States, at the same time deprecating the calling in and funding of the excessive issues of the Government legal tender paper ! Your condemnation is written in your own book, at page 111, where you say of paper money:

"From its very nature it must be constantly fluctuating in amount, and the changes must be comparatively, abrupt and excessive. The increase of it stimulates business, and produces sudden and artificial enhancement of prices; but the quantity of it is usually diminished even more suddenly and unexpectedly than it was increased, causing often bankruptcy and ruin to many."

You speak of the use made by the banks, of the gold from California, prior to the revulsion of 1857, as having produced that revulsion; and you assert that there was by the banks, "a misuse of the gold from California." You say "the same use is now being made of the legal tender currency." The Secretary of the Treasury said of this legal tender currency, in his last report to Congress: "Had it been possible to borrow coin enough and fast enough, for the disbursements of the war, almost, if not altogether, the same effects on prices would have been wrought," although in another place he said, in that report: "It is an error to suppose that the increase of prices is attributable wholly, or in very large measure, to this circulation." He labored, precisely as you do, to throw the blame upon the banks, although, more candid than you, he confessed that "almost, if not altogether," the same effects would have been produced by real money. If a miracle had produced that amount of real money, another miracle would have been needed to keep it in the country: the rise of prices caused by the circulation of it, even if there were no banks in existence, would have brought commodities to this country to be exchanged for it, and the excess of it, above the average of the currencies of the nations dealing with us, would have been exported, precisely as it is exported from California, where there are no banks, and where it is in excess, from the quantity of the metals constantly brought out of the mines. But legal tender paper is not "the currency of the world;" the excess of it cannot be exported, it remains with us, making our markets the best of all the world to sell in, the worst of all the world to buy in: it is, therefore, a false standard of value, as compared with the world's standard, and slowly, but steadily, drains us of our wealth, as a nation, exactly in proportion to the quantity of it in excess of the quantity which the world's standard requires us to hold and use. The extent to which our legal tender currency varies, as a standard of value, from the world's standard of value, is measured exactly by the rate of the foreign exchanges, and this rate determines the premium on gold. These are plain, practical truths, constituting the whole foundation of monetary science. Our patriot fathers knew and understood them perfectly, and hence they put into the Constitution a provision for the establishment of a standard of value, which Congress enacted, exactly as they enacted all the standards of measure and capacity; and I cannot believe that a legal tender paper money can ever be constitutionally maintained as a substitute for that measure of value in real money, required by the Constitution. You have expressed a similar opinion yourself, on pages 86 and 87, of your book, declaring that as the quantity of paper money "will be constantly fluctuating," "as if the bushel, the gallon, the pound weight and the yard measure," were "constantly expanding or contracting their capacity or solidity," it "affords an unstable and unjust standard by which to measure the value of property." Hence it is, that in laying taxes, if you go on expanding the currency with legal tender, instead of funding the issues, you cannot depend upon the amount the Government will receive for the

taxes; for the premium on gold going up steadily, carries with it the prices of every thing else, so that when gold is at one hundred premium, the paper dollar is worth only fifty cents, the expenditures of the Government and the national debt rising in proportion as the paper money sinks. All this you find practically illustrated in the accounts we see in the newspapers of the course of the rebel paper money, which, as you suggest in your book, (page 25) has been substituted for a "scheme of taxation." Perhaps the rebels took the idea from your book. I trust, however, that your "scheme of taxation," through excessive issues of paper money, will not be permitted to throw its dangerous folds around the loyal people, who are so nobly defending the life and the integrity of our beloved country; for there are no circumstances that can possibly call for such a last "resource," except, perhaps, want of skill in the management of our financial affairs, or want of courage on the part of Congress to adopt the proper measures for sustaining our economical affairs upon a sound basis. The Secretary has truly said, in his letter of this month, that taxation by Congress comes nest to military successes, in sustaining the Government credit. Each is alike indispensable to prevent a fearful catastrophe.

It was easy to have so managed our national finances that the economical resources of the loyal States would have been invigorated, developed, and perpetuated, to the utter exhaustion of the comparatively inferior resources of the rebels; and the confession of the Secretary, that he has brought himself to a condition in which he contemplates serious consequences in his department of the Government, if military successes be not speedily forthcoming, is a melancholy one, at this stage of the contest, which has lasted little more than three years, during which he has had from Congress all he asked for. Such are the consequences of paper money. It is a scheme of living from hand to mouth, of petty expedients and make-shifts.

Let me beseech you, therefore, in the name of our common country, and for the sake of those who are to inhabit this great Continent as freemen, to rise above all partizan and individual considerations, in this trying hour. I believe most firmly that the liberties of all nations are identified with our success in speedily putting down this rebellion. We are fighting for human liberty all over the world. This struggle is not for us and our children, only; it is for all mankind.

You and I are passing away. Our ambitions, our resentments, our hopes and fears are approaching their termination. Our country now demands all the union and strength that skill and experience and power can furnish. Let us all give it our whole moral and material support, "without regard to party or personal considerations." The result, under Providence, I confidently believe, will be the speedy overthrow of the rebellion, which alone can give us a triumphant and a lasting peace.

I remain, sir,
Very respectfully,
Your obedient servant,
James Gallatin.

* NOTE.
The following facts require no comments:

"During the war of 1812, Albert Gallatin, then Secretary of the Treasury, recommended the issuing of Treasury notes, bearing an interest per day of 1½ cents per $100, 'to be given in payment of Public Supplies or debts due by the U.S. to such Creditors, or other persons only, as may choose to receive such notes in payment aforesaid.' (*Niles's Register*, vol. 11.) His successor, A.J. Dallas, in recommending to Congress the establishment of a National Bank, to remedy the evils produced by the suspension of specie payments by the banks throughout the States, and their uncontrolled paper issues, closes his Report as follows:

'Whether the Issues of a paper Currency proceed from the National Treasury or a National Bank, the acceptance of the paper in a course of payment and receipts must be for ever optional with the Citizens. The extremity of that day cannot be anticipated when any honest and enlightened Statesman will again venture upon the desperate expedient of a tender law.' (*Niles's Register*, 17 Oct., 1814.)

"The Treasury notes issued during the war of 1812, under the system initiated by Albert Gallatin, were brought to a most successful and honorable liquidation on its close, by A.J. Dallas, who, on 15 June, 1815, issued a notice to the holders of Treasury notes, to present the same for payment. (*Niles's Register*, vol. 8.)

"In one of the darkest hours of the war, during 1814, Mr. Hall, of Georgia, offered the following resolution:

"That the Treasury notes which may be issued, be a legal tender in all debts due, or which may hereafter become due, between Citizens of the U.S., or of any foreign State or Power.' (*Niles's Register*, vol. 7.)

"The House refused its consideration.

"Paper money, called 'Bills of Credit,' authorized by the Constitution of the Confederation, so demoralized and disgraced the nation, in a very few years, that it caused the dissolution of that Union which was solemnly declared perpetual, and led to the present Constitution of the U.S., (Federalist No. 15,) whilst paper money, (Treasury notes,) made receivable by Government in all its transactions with the public as Cash, and optional with the Citizens, gold and silver being the only legal tender, enabled the Government of the U.S. to carry through the war of 1812, and successfully and honorably to redeem those issues at par immediately on the return of peace."